



**REQUEST FOR PROPOSAL
INVESTMENT ADVISORY SERVICES**

CITY OF CARSON
CITY TREASURER'S OFFICE

Monica Cooper, City Treasurer
701 E. Carson St, Carson, CA 90745

Proposals Due By:
August 29, 2016

EXHIBIT NO. 2

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I. INTRODUCTION

A. Background and Overview

The City of Carson (City) is a general law city operating under the Council-Manager form of government and serves an area of approximately 19.2 square miles. The City has a population of approximately 93,000, is located in the South Bay section of Los Angeles County, and provides a broad range of services, including construction and maintenance of highways, streets and infrastructure, planning and zoning activities, public transit, recreational activities and cultural events for all ages. The City contracts with the County of Los Angeles for law enforcement, building and safety services, library services, fire protection and sewer services. The City's educational needs are served by the Los Angeles Unified School District and some private schools. Solid waste collection and disposal, gas, water, electric and communication services are provided by private companies.

The City is seeking proposals from qualified firms to provide investment advisory services for the following portfolios for which it manages the investments:

Entity	Approximate Size of Portfolio
City of Carson	\$34.7 million
Housing Authority of the City of Carson	\$6.5 million
Housing Authority Bond Funds	\$14.9 million
Carson Successor Agency	\$17.7 million
Carson Successor Agency Bond Funds	\$24.5 million
Carson Reclamation Authority (CRA)	\$44.5 million

In addition to the above funds, there is a trust in the approximate amount of \$31 million for the remediation of a landfill that is currently managed by a third party. Over the next two months, the CRA will be taking over the management of this trust fund. As such, the \$31 million in the fund will be subject to this RFP on the CRA assumes management.

The funds are invested in the Local Agency Investment Fund (LAIF), U.S. Treasuries, Federal Agency securities, money market funds, certificates of deposit, corporate bonds, and municipal bonds. See Attachment A for a listing of the City's current portfolio, which includes the City, Housing Authority and Successor Agency. See Attachment B for the CRA's current portfolio.

City investments are handled by the elected City Treasurer, Monica Cooper, who works with City staff to place and monitor investments. Investments are controlled by the adopted Investment Policies. See Attachment C for the City's Investment Policy, which includes the Housing Authority and Successor Agency, and Attachment D for the CRA's Investment Policy.

For a firm to be considered, the City must receive one (1) original, five (5) copies and one (1) electronic copy on CD or a flash drive of the proposal by **Monday, August 29, 2016 at 4:00 pm**. All copies of the proposal should be submitted in a sealed envelope identified on the

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outside with "Proposal for Investment Advisory Services". Emailed or facsimile proposals will not be accepted. Proposals should be delivered to the following address:

Ms. Monica Cooper
City Treasurer
City of Carson
701 E. Carson Street
Carson, California 90745

B. Timeline

The following schedule details key dates related to this RFP. The City reserves the right to revise this schedule.

Description	Date
RFP issued	July 28, 2016
Submission of questions	August 12, 2016 at 4:00 pm
Responses to questions	August 19, 2016
Submission of proposals	August 29, 2016 at 4:00 pm
Interviews with finalists	September 12, 2016
Award of contract	October 4, 2016

C. Submission of Questions

All questions concerning this RFP shall be submitted via email to Marc Davis, Partner, Davis Farr LLP at mdavis@davisfarr.com no later than **Friday, August 12, 2016 at 4:00 pm**.

D. Term of Contract

The City intends to award a one (1) year contract with four (4) one-year renewal options, subject to annual review and recommendation of the City Manager, in consultation with the City Treasurer, solely at the discretion of the City.

II. SERVICES REQUESTED

The following represents the minimum services requested by the City.

1. Non-discretionary management of the City's and CRA's portfolio. Note that the investment advisor will not be managing the portfolio, but will be providing advice to the City Treasurer, who will retain all final investing decisions and placing of investments.
2. Development and implementation of investment strategies for the funds under management that will seek to enhance performance under current and future market conditions within the parameters of the Investment Policy and cash flow needs.

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3. Technical and fundamental market research, including yield curve analysis.
4. Documentation of competitive prices for securities transactions.
5. Provide monthly/quarterly/annual reporting of City and CRA funds under management.
6. Credit analysis of investment instruments in the portfolio.
7. Meetings with the City's Investment Team, which consists of the City Treasurer, City Manager and Finance Director, at least twice a year to review the investment program and portfolio performance.
8. Evaluate market risk and develop strategies that minimize the impact on the portfolio.
9. Review the City's Investment Policy and make recommendations for change as appropriate.

Firm shall not have custody or possession of the funds or securities to which it is advising the City. The City utilizes BNY Mellon as its custodian for safekeeping investments.

Investment practices and procedures must comply with State law and the City's and CRA's Investment Policies. The selected Investment Advisor will be expected to perform to the Prudent Expert Standard.

The City's primary investment objective is to achieve a reasonable rate of return on public funds while minimizing the potential for capital losses arising from market changes or issuer default. Although the generation of revenues through interest earnings on investments is an appropriate City goal, the primary consideration in the investment of City funds is capital preservation in the overall portfolio. As such, the City's yield objective is to achieve a reasonable rate of return on City investments rather than the maximum generation of income, which could expose the City to unacceptable levels of risk. In determining individual investment placements, the following factors shall be considered in priority order: safety, liquidity and yield.

III. FORMAT OF PROPOSAL

The Proposer is responsible for preparing an effective, clear, and concise proposal. To be considered for selection, vendors must submit a complete response to this Request for Proposal that includes the following mandatory information and/or requirements in the following format. Responses must be in the same order as the questions presented, stating acceptance of, modifications or additions to, or a statement of the inability to provide, said service. Failure to provide any of the information requested below may be cause for the proposal to be rejected.

A. Cover Letter

1. Include your firm's understanding of the work to be performed.
2. State why your firm believes itself to be the best qualified to perform the services.

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3. Identify the Management Contact (representative authorized to negotiate and sign an agreement for your firm) and Project Manager (person responsible for day-to-day management of the project).
4. Indicate that offer is firm and irrevocable for a period of no less than 90 days.

B. Firm Background and Organization

1. Describe the organization, date founded, and ownership of the firm. Indicate if it has experienced a material change in organizational structure, ownership or management during the past three years and, if so, please describe.
2. Describe any other business affiliations (e.g., subsidiaries, joint ventures, "soft dollar" arrangements with brokers). Describe the firm's policy on soft dollars.
3. Describe any Securities and Exchange Commission (SEC), National Association of Securities Dealers (NASD), Internal Revenue Service (IRS) or other regulatory censure or litigation involving the firm or its employees within the past three years.
4. Identify the types of accounts primarily sought by your firm.
5. Describe the firm's experience in providing non-discretionary investment advisory services.
6. Describe the firm's experience in developing policies and portfolio management guidelines for government portfolios.
7. Does the firm act as a broker or a primary dealer in securities or receive any other form of additional compensation (including soft dollars) for the client transactions aside from the direct fee paid by clients.
8. Provide a copy of the firm's most recent ADV Parts 1 and 2 as on file with the SEC.
9. Did, or will, the firm pay a finder's fee to any third party for business related to this RFP. If so, specify the recipients of the fee.

C. Personnel

1. Identify and provide background information on the key person or personnel who take the most active role(s) in the administration and management of the firm.
2. Identify the investment professionals (portfolio managers, analysts, and researchers) employed by the firm, by classification, and specify the average number of accounts handled by portfolio managers. Are there any established limits on accounts or assets under management.

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3. Provide resumes and biographical information on key investment professionals that will be directly involved in the decision-making process for the portfolio. Include the number of years at the firm, total years of experience, and professional licenses and designations. Include the number of accounts managed and any limits.
4. Describe the firm's training and education efforts to keep portfolio managers informed of developments relevant to government investment managers.
5. What has been the rate of turnover of professional staff in the firm in the last three years who were assigned to public sector clients.

D. Investment Management Approach and Discipline

1. Briefly describe the firm's investment management philosophy, including its approach to managing governmental portfolios.
2. How frequently does the firm formulate and review fixed income strategy. How is that carried out and who is involved.
3. What are the primary strategies for adding value to portfolios (e.g., market timing, credit research, trading).
4. How are portfolios managed (e.g. by team, individual manager). What is the back-up plan when the manager is away.
5. Describe the oversight provided to portfolio managers.
6. Describe the firm's in-house technical and research capabilities. Are outside sources used on a regular basis. Describe the firm's credit review process. Does it assign credit research to specialists.
7. What role does interest rate forecasting play in the firm's portfolio management strategy.
8. How will the firm advise positioning a portfolio in a rising interest rate environment.
9. Describe the ongoing daily investment procedures proposed for the City, including procedures for trades, security choice, controls, etc., and how the firm will ensure liquidity.

E. Reporting

1. Submit samples of reports that would be provided and describe their frequency. Reports must be prepared in accordance with generally accepted accounting principles (GAAP) and in compliance with Governmental Accounting Standards Board (GASB) pronouncements, including GASB Statements 31, 40 and 72.

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2. Describe the benchmarks that would be used for the City's portfolio and why those benchmarks are applicable.

F. References

1. Provide a listing of current California clients for which similar services are provided.
2. Provide between 3 and 5 public sector references, preferable for non-discretionary investment advisor services. Provide the agency name, contact name, address, phone and email. Describe the services provided for the agency and how long the agency has been a client of the firm.

G. Exceptions/Deviations

State any technical and/or contractual exceptions and/or deviations from the requirements of this RFP, including the City's technical requirements and contractual terms and conditions set forth in the Section II, Services Requested, and Attachment E, Proposed Contract Services Agreement. All exceptions and/or deviations must be included in the original proposal. If no technical and or contractual exceptions and/or deviations are submitted as part of the original proposal, then the firm is deemed to have accepted the City's technical requirements and contractual terms and conditions set forth in Section II, Services Requested, and Attachment E, Proposed Contract Services Agreement. Proposers will not be allowed to submit exceptions and/or deviations after the proposal submittal date.

H. Fees

Provide the complete fee schedule for providing investment advisory services to the City on a non-discretionary basis. Indicate if the fees are based on percentage of assets, cost per transaction or some other method and the frequency of billing. The fees are not to be netted out of investment earnings but rather billed separately for purposes of full disclosure.

IV. Evaluation Procedures

A. Evaluation Committee

Proposals will be reviewed by an Evaluation Committee which is expected to include the following: City Treasurer, City Manager, Deputy Treasurer, Controller, Finance Director and an outside consultant.

B. Evaluation Criteria

Any award made pursuant to this RFP will be based upon the respondent's proposal with appropriate consideration given to functional, technical, business, cost, and management requirements. Written proposals that satisfy all requirements specified in this RFP will be evaluated. The intent is to assess the ability of the respondent to provide investment advisory services and its associated requirements, and whose services best meet the needs of the

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City. The City may request additional information from any of the firms submitting proposals. The following criteria will be used in evaluating proposals and in the selection of a firm (not in priority order):

1. Compliance with the requirements of this RFP and quality of proposal, including completion of all required responses in the specified format.
2. Firm experience, including the respondent's stability, resources, qualifications, and relevant experience and/or record of past performance in implementing and delivering such services to local governments with like-kind operations.
3. Professional experience and qualifications of the individuals assigned to the account.
4. Portfolio management resources, investment philosophy, approach and reporting capabilities.
5. Respondent's acceptance of the City's contractual terms and conditions, as applicable.
6. Overall cost of respondent's proposal.

At any time, the City, at its discretion and without explanation to the prospective firms, can choose to discontinue this RFP without obligation to such prospective firms.

C. Onsite Interview and Presentation

After an evaluation of all proposals, the City may invite selected firms to meet with the evaluation team. As part of the RFP process, you may be required to present your company's ability to provide investment advisory services at the City. The presentation allows you to demonstrate your services and to give the City a better chance to evaluate your capabilities in detail. Scores will be reassessed after this onsite presentation. Onsite interviews and presentations are tentatively scheduled for Monday, September 12, 2016 at City Hall.

D. Final Selection

The Carson City Council will select a firm based upon the recommendations of the Evaluation Committee. It is anticipated that a firm will be selected at the City Council meeting of on **Tuesday, October 4, 2016**.

E. Collusion

By submitting a proposal, each Proposer represents and warrants that its proposal is genuine and not a sham or collusive or made in the interest of or on behalf of any person not named therein; that the Proposer has not directly induced or solicited any other person to submit a sham proposal or any other person to refrain from submitting a proposal; and that the Proposer has not in any manner sought collusion to secure any improper advantage over any other person submitting a proposal.

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F. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City and the firm selected. The City reserves the right without prejudice to reject any or all proposals.

V. ATTACHMENTS

The following attachments are included as part of this RFP.

Attachment	Description
A	City Portfolio as of June 30, 2016
B	CRA Portfolio as of June 30, 2016
C	City Investment Policy
D	CRA Investment Policy
E	Contract Services Agreement