



ADMINISTRATION COMMITTEE

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Agenda Report

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Agenda Item No: 6.

FROM: Robert Thompson, General Manager
Originator: Lorenzo Tyner, Assistant General Manager

SUBJECT:

PROFESSIONAL CONSULTANT SERVICES AGREEMENT FOR INVESTMENT MANAGEMENT SERVICES

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION: Recommend to the Board of Directors to:

Approve a Professional Consultant Services Agreement contract to Insight North America LLC to provide Investment Management Services, Specification No. CS-2023-1418BD, for five years, with two (2) optional two-year renewals.

BACKGROUND

The Orange County Sanitation District (OC San) has utilized Chandler Asset Management, Inc. to manage OC San's portfolio since November 2014. Services include making investment decisions, completing investment transactions, and reporting investment results in accordance with the California Government Code and OC San's Investment Policy.

RELEVANT STANDARDS

- Ensure the public's money is wisely spent

PROBLEM

As OC San has used the same investment manager for several years and the Administration Committee deemed it prudent to re-evaluate the availability of these services in today's open market, from both a cost and performance basis, and to conduct a competitive proposal process for these services.

PROPOSED SOLUTION

Approve a Professional Consultant Services Agreement with Insight North America LLC.

TIMING CONCERNS

Proposals are valid for 180 calendar days from the proposal due date of August 30, 2023.

RAMIFICATIONS OF NOT TAKING ACTION

OC San will continue with the current Investment Manager.

PRIOR COMMITTEE/BOARD ACTIONS

October 2014 - The Board of Directors selected Chandler Asset Management as OC San's Investment Portfolio Manager and authorized staff to negotiate a professional services agreement.

September 2014 - The Administration Committee continued the selection of OC San's Investment Manager.

February 2014 - The Administration Committee approved a Request for Proposal for Investment Management.

June 1995 - The Board of Directors selected PIMCO as OC San's external investment portfolio manager.

ADDITIONAL INFORMATION

A Request for Proposal was issued on July 27, 2023, via PlanetBids. Proposals were due on August 30, 2023. OC San received 17 proposals that are valid for 180 calendar days from the proposal due date.

Prior to receipt of proposals, an Evaluation Team was formed consisting of the Assistant General Manager, Director of Finance, and a Senior Accountant. The Team was chaired by a Purchasing representative as a non-voting member. On September 5, 2023, the Evaluation Team met to discuss the policies and procedures for the evaluation process.

Individual scoring was the chosen method of evaluation for this procurement. Members of the Team performed an independent review of the proposals and later met as a group with the Buyer to discuss their preliminary scores and discuss any questions/concerns they had. Proposals were evaluated based on the following criteria:

CRITERION	WEIGHT
ADV Part II Submittal	Pass/Fail
1. Qualifications of the Firm a. Qualitative (20%) b. Quantitative (10%)	30%
2. Staffing & Project Organization	20%
3. Work Plan	30%
4. Cost	20%

The quantitative review of each proposal was an evaluation of past investment portfolio performance, analyzed by a third-party consultant.

The Evaluation Team first reviewed and scored the proposals based upon the criteria listed above, other than cost and quantitative performance analysis.

Rank	Proposer	ADV Part II	Criterion 1 (Max 20%)	Criterion 2 (Max 20%)	Criterion 3 (Max 30%)	Subtotal (Max 70%)
1	Chandler Asset Management, Inc.	Pass	16.0%	16.0%	25.0%	57.0%
2	PFM Asset Management LLC	Pass	15.7%	15.3%	24.0%	55.0%
3	Pacific Investment Management Company LLC	Pass	15.7%	15.7%	23.5%	54.9%
4	Insight North America LLC	Pass	15.0%	15.3%	24.0%	54.3%
5	Meeder Public Funds	Pass	14.0%	14.7%	23.5%	52.2%
6	Public Trust Advisors, LLC	Pass	14.3%	14.3%	23.5%	52.1%
7	JPMorgan Asset Management	Pass	14.7%	14.3%	22.0%	51.0%
8	Allspring Global Investments LLC	Pass	13.3%	14.0%	23.0%	50.3%
9	RBC GAM-US	Pass	14.0%	13.3%	20.5%	47.8%
10	Lord, Abbett & Co. LLC	Pass	11.7%	13.0%	19.5%	44.2%
11	Franklin Templeton Investments	Pass	12.7%	12.0%	19.0%	43.7%
12	Garcia Hamilton & Associates, L.P.	Pass	12.3%	12.3%	18.5%	43.1%
13	Amundi Asset Management, US Inc.	Pass	12.0%	12.0%	19.0%	43.0%
14	PNC Capital Advisors, LLC	Pass	12.3%	12.0%	18.5%	42.8%
15	Segall Bryant & Hamill	Pass	11.3%	12.0%	19.5%	42.8%
16	Federated Investment Counseling	Pass	12.0%	12.0%	18.5%	42.5%
17	New Century Advisors	Pass	11.0%	12.0%	17.5%	40.5%

The firms scoring over 50% were advanced to a third-party consultant for a quantitative analysis of past performance. The quantitative analysis compared the overall rate of return on investments for each firm since 2018.

Rank	Proposer	Subtotal (Max 70%)	Quantitative Analysis (Max 10%)	Subtotal (Max 80%)
1	Chandler Asset Management, Inc.	57.0%	6.5%	63.5%
2	PFM Asset Management LLC	55.0%	6.6%	61.6%
3	Insight North America LLC	54.3%	7.1%	61.4%
4	Pacific Investment Management Company LLC	54.9%	6.4%	61.3%
5	JPMorgan Asset Management	51.0%	10.0%	61.0%
6	Allspring Global Investments LLC	50.3%	9.6%	59.9%
7	Meeder Public Funds	52.2%	Non-responsive	N/A
8	Public Trust Advisors, LLC	52.1%	Withdrew	N/A

One firm could not provide the information needed to conduct the quantitative analysis and another firm requested to withdraw their proposal.

The five highest ranking firms were selected for interviews, which were conducted on November 1, 2023. Following the interviews, the Evaluation Team adjusted their scores based on the clarifications provided during the interview process.

Rank	Proposer	Criterion 1 (Max 30%)	Criterion 2 (Max 20%)	Criterion 3 (Max 30%)	Total Score without cost (Max 80%)
1	Chandler Asset Management, Inc.	22.8%	16.3%	25.0%	64.1%
2	Pacific Investment Management Company LLC	22.7%	15.3%	23.5%	61.5%
3	Insight North America LLC	22.1%	15.3%	23.5%	60.9%
4	PFM Asset Management LLC	22.3%	15.0%	23.0%	60.3%
5	JPMorgan Asset Management	24.0%	14.0%	22.0%	60.0%

All proposals were accompanied by a sealed cost proposal. Cost proposals for all five remaining firms were opened.

Rank	Proposer	Subtotal Score without cost (Max 80%)	Cost (Max 20%)	Total Score (Max 100%)
1	Chandler Asset Management, Inc.	64.1%	17.5%	81.6%
2	Insight North America LLC	60.9%	20.0%	80.9%
3	PFM Asset Management LLC	60.3%	15.9%	76.2%
4	Pacific Investment Management Company LLC	61.5%	0.0%	61.5%
5	JPMorgan Asset Management	60.0%	0.0%	60.0%

The top three firms were invited to submit their Best and Final Offer (BAFO) for pricing, resulting in an adjustment to the cost scoring.

Rank	Proposer	Subtotal Score without cost (Max 80%)	BAFO Cost (Max 20%)	Total Score (Max 100%)
1	Insight North America LLC	60.9%	20.0%	80.9%
2	Chandler Asset Management, Inc.	64.1%	16.6%	80.7%
3	PFM Asset Management LLC	60.3%	16.1%	76.4%

Based on these results, staff recommends awarding a Professional Consultant Services Agreement to Insight North America LLC for Investment Management Services. The initial term of this Agreement will be five years, with two (2) optional two-year renewals.

CEQA

N/A

FINANCIAL CONSIDERATIONS

This request complies with authority levels of OC San's Purchasing Ordinance. This item has been budgeted in the FY 2023-24 budget.

ATTACHMENT

The following attachment(s) may be viewed on-line at the OC San website (www.ocsan.gov) with the complete agenda package:

- Professional Consultant Services Agreement