

## REPORT TO REDEVELOPMENT AGENCY

**DATE:** APRIL 13, 2011

**TO:** HONORABLE CHAIR AND MEMBERS OF THE REDEVELOPMENT AGENCY

**FROM:** GREG RAMIREZ, EXECUTIVE DIRECTOR

**BY:** CHRISTY PINUELAS, DIRECTOR OF FINANCE

**SUBJECT:** AGREEMENT FOR CONSULTANT SERVICES WITH CHANDLER ASSET MANAGEMENT, TO PROVIDE INVESTMENT PORTFOLIO MANAGEMENT SERVICES FOR THE AGOURA HILLS REDEVELOPMENT AGENCY

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The Finance Committee met to consider placing the Agoura Hills Redevelopment Agency's (RDA) investments with a professional investment management company. The Committee interviewed Chandler Asset Management and recommends awarding a one-year agreement with one two-year option for renewal.

The investment of RDA funds has traditionally been handled by the Treasurer. The RDA has had the same Treasurer since its inception. With her retirement, the RDA needs to address current needs. While a Treasurer will be appointed to handle banking, check signing, and bank reviews, it would benefit the RDA to utilize a professional investment management company to manage our funds. During these hard times, it is important that the RDA optimize the investment returns while still making certain that safety and liquidity are maintained.

Many public agencies, especially those with limited staffing, rely on investment managers to advise and/or invest funds on behalf of the public agency. The advantages of choosing such an option include:

1. A depth of investment management experience and knowledge, that it is unlikely with existing city staff.
2. A disciplined investment process allowing the interpretation of macro-economic data to incorporate into model portfolios on a timely basis.
3. A systematic process to achieve consistent results in all market environments.
4. A process that allows an agency to maximize yield, while reducing risk and maintaining adequate liquidity.
5. Low cost with high returns. Cost usually runs about 8 to 12 basis points (100 basis points is equal to 1% in earnings).
6. Availability of additional services, such as cash flow analysis, preparation of investment reports and Investment Policy review, without additional cost.
7. Public agencies benefit from the economies of scale when securities and other investments are purchased in bulk.

The RDA did not have much notice of the Treasurer's retirement. Therefore, in the interest of time, we chose to piggyback on the City of Fillmore's recent quotes. Within the municipal finance environment in California, three firms are prevalent in providing investment services to public agencies. Each of these three firms has an excellent reputation in serving public agencies in California. In alphabetical order, they are:

1. Chandler Asset Management, San Diego
2. Cutwater Asset Management, Denver
3. PFM Asset Management, San Francisco

There are three main considerations, beyond selecting a firm with integrity and an excellent reputation, which should be explored in selecting a firm for this type of service. It is often difficult to compare the firms because their portfolios do not always contain the same set of investments and because the statistics they keep may be unique to them. For instance, one portfolio may contain corporate bonds where there may be a greater or lesser yield, but a greater risk. One firm may keep statistics on a 1 to 3 year basis, while another may keep their's on a 1 to 5 year basis. Therefore, while you may not have an apples-to-apples comparison, it is prudent to look at statistics for each of the firms.

The first consideration is fit. The second consideration is performance. The final consideration is fees. The following fee structure was quoted to the City of Fillmore for a portfolio of \$20 million. One basis point is equal to 1/100<sup>th</sup> of one percent.

12 Basis points	-	Chandler Asset Management (no minimum)
8 Basis points	-	Cutwater Asset Management (\$1,000/mo minimum)
11.75 Basis points	-	PFM Asset Management (no minimum) (15M @ 12 and 5M @ 11)

For additional amounts under management, Chandler is at 9 basis points for the next \$40 million and PFM is at 11 basis points. The quoted lower fee from Cutwater may be because of the name change from MBIA and a desire by this new name to have a larger presence in the California public agency market. Please note that Cutwater has a \$1,000 per month minimum. Because the City holds several long term investments, it will take several years to transfer the \$20 million portfolio to the selected firm. So the fee would be higher than 8 Basis points on the funds invested with Cutwater.

While Cutwater is quoted with the lowest of fees, they have a \$1,000 monthly minimum and only hold 3% of their portfolio in California public agencies and non profits. Furthermore, they tend to have the most aggressive investment strategy, investing a higher percentage of the portfolio in Corporate Bonds and mortgage backed securities. PFM has 25% of their portfolio in California public agencies and charges 11.75% basis points on the first \$20 million. Their investment strategy tends to be similar to Chandler. However Chandler has 73% of their portfolio in California public agencies and non profits.

Please note that for any of the options, the securities are not held by the company retained, but rather by a third party custodian. The RDA already has relationships with a Bank of New York/Mellon for bond reserve purposes. If the Council moves in this direction, a bank will be

asked to provide a quote for the additional service. The service usually runs around \$3,600 a year.

Both the City and the Agoura Hills Redevelopment Agency will be investing funds through the investment manager. To provide the RDA Board with an idea of the annual cost that would be associated with such a service, the following table is provided.

<u>Funds under management</u>	<u>8 basis points</u>	<u>11.75 basis points</u>	<u>12 basis points</u>
\$20 million	\$16,000	\$23,500	\$24,000

There would be no need to amend the budget since the cost of managing the portfolio is netted against interest income.

To also provide the RDA Board with an idea of the economic advantages of pursuing this type of arrangement, a projected hypothetical yield is compared to the earnings at LAIF and the City's current investment strategy:

<u>INVESTMENT OPTION</u>	<u>LAIF</u>	<u>CURRENT</u>	<u>MANAGED</u>
<u>ANNUAL YIELD</u>	.46%	.91%	2.5%
<u>Funds invested</u>			
\$20 million	\$ 92,000	\$ 182,000	\$ 500,000

It becomes very clear, when comparing what we are currently doing to what we could be earning with this new approach, that the RDA may be missing out on an opportunity to improve performance. The hypothetical interest shown in the final column above, represents less than one-half of what the annualized yield is of the composite portfolios for these service providers over the past few years. Regardless, it should be noted that historical earnings are not an indication of future earnings.

The proposed agreement has been reviewed and approved as to form by the Attorney's Office.

**RECOMMENDATION:**

It is recommended the Council award a one-year contract, with one two-year renewal option to Chandler Asset Management to assist the RDA in investing its funds based on the information provided.

Attachments: Agreement for Consultant Services

AGREEMENT FOR CONSULTANT SERVICES  
WITH THE AGOURA HILLS REDEVELOPMENT AGENCY

NAME OF CONSULTANT: Chandler Asset Management

RESPONSIBLE PRINCIPAL OF CONSULTANT: Attn: Kay Chandler

CONSULTANT'S ADDRESS: 6225 Lusk Boulevard  
San Diego, CA 92121

AGENCY'S ADDRESS: Agoura Hills Redevelopment  
Agency  
30001 Ladyface Court  
Agoura Hills, CA 91301  
Attn: Executive Director

PREPARED BY: Christy Pinuelas

COMMENCEMENT DATE: April 14, 2011

TERMINATION DATE: April 13, 2012

CONSIDERATION: Contract Price  
Not to Exceed: \$15,000 /yr

<b>ADDITIONAL SERVICES</b> <i>(Describe Services, Amount, and Approval):</i>  _____  _____  _____  _____
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Date: \_\_\_\_\_ Amount: \$15,000 \_\_\_\_\_ Authorized By: \_\_\_\_\_  
*(Not to Exceed 10% of Contract Price)* Executive Director

**AGREEMENT FOR CONSULTANT SERVICES BETWEEN  
THE AGOURA HILLS REDEVELOPMENT AGENCY AND  
CHANDLER ASSET MANAGEMENT, INC.**

**THIS AGREEMENT** is made and effective as of April 14, 2011, between the Agoura Hills Redevelopment Agency, a public body, corporate and politic ("Agency"), and Chandler Asset Management, Inc. ("Consultant"). In consideration of the mutual covenants and conditions set forth herein, the parties agree as follows:

**1. TERM.** This Agreement shall commence on April 14, 2011, and shall remain and continue in effect until April 13, 2012, unless extended pursuant to this Section 1 or sooner terminated pursuant to the provisions of this Agreement.

The Agency may, at its option, extend this Agreement for one additional term of two years upon providing written notice of its intent to so-extend this Agreement to the Contractor not less than thirty (30) days prior to the expiration of the initial Term. Such extension shall be at the same price and conditions as set forth herein.

**2. SERVICES.** Consultant shall perform the services and tasks described and set forth in Exhibit A, attached hereto and incorporated herein as though set forth in full. Consultant shall complete the tasks according to the schedule of performance which is also set forth in Exhibit A.

**3. PERFORMANCE.** Consultant shall at all times faithfully, competently and to the best of his or her ability, experience, and talent, perform all tasks described herein. Consultant shall employ, at a minimum, generally accepted standards and practices utilized by persons engaged in providing similar services as are required of Consultant hereunder in meeting its obligations under this Agreement.

**4. PAYMENT.**

A. The Agency agrees to pay Consultant monthly, in accordance with the payment rates and terms and the schedule of payment as set forth in Exhibit B, Payment Rates and Schedule, attached hereto and incorporated herein by this reference as though set forth in full, based upon actual time spent on the above tasks. Any terms in Exhibit B other than the payment rates and schedule of payment are null and void. This amount shall not exceed \$15,000 ("Contract Price") for the initial Term of the Agreement unless additional payment is approved as provided in this Agreement.

The Executive Director may approve additional work up to ten percent (10%) of the amount of the Contract Price. Any additional work in excess of this amount shall be approved by the Agency Board.

B. Consultant shall not be compensated for any services rendered in connection with its performance of this Agreement which are in addition to those set forth herein, unless such additional services are authorized in advance and in writing by the Executive Director. Consultant shall be compensated for any additional services in the amounts and in the

manner as agreed to by the Agency Board and Consultant at the time Agency's written authorization is given to Consultant for the performance of said services.

C. Consultant will submit invoices monthly in arrears for actual services performed. Invoices shall be submitted between the first and fifteenth business day of each month, for services provided in the previous month. Payment shall be made within thirty (30) days of receipt of each invoice as to all non-disputed fees. If the Agency disputes any of consultant's fees it shall give written notice to Consultant within thirty (30) days of receipt of an invoice of any disputed fees set forth on the invoice.

**5. SUSPENSION OR TERMINATION OF AGREEMENT WITHOUT CAUSE**

A. The Agency may at any time, for any reason, with or without cause, suspend or terminate this Agreement, or any portion hereof by serving upon the consultant at least ten (10) days prior written notice. Upon receipt of said notice, the Consultant shall immediately cease all work under this Agreement, unless the notice provides otherwise. If the Agency suspends or terminates a portion of this Agreement such suspension or termination shall not make void or invalidate the remainder of this Agreement.

B. In the event this Agreement is terminated pursuant to this Section, the Agency shall pay to Consultant the actual value of the work performed up to the time of termination, provided that the work performed is of value to the Agency. Upon termination of the Agreement pursuant to this Section, the Consultant will submit an invoice to the Agency pursuant to Section 4.

**6. DEFAULT OF CONSULTANT**

A. The Consultant's failure to comply with the provisions of this Agreement shall constitute a default. In the event that Consultant is in default for cause under the terms of this Agreement, Agency shall have no obligation or duty to continue compensating Consultant for any work performed after the date of default and can terminate this Agreement immediately by written notice to the Consultant. If such failure by the Consultant to make progress in the performance of work hereunder arises out of causes beyond the Consultant's control, and without fault or negligence of the Consultant, it shall not be considered a default.

B. If the Executive Director or his or her delegate determines that the Consultant is in default in the performance of any of the terms or conditions of this Agreement, it shall serve the Consultant with written notice of the default. The Consultant shall have (10) days after service upon it of said notice in which to cure the default by rendering a satisfactory performance. In the event that the Consultant fails to cure its default within such period of time, the Agency shall have the right, notwithstanding any other provision of this Agreement, to terminate this Agreement without further notice and without prejudice to any other remedy to which it may be entitled at law, in equity or under this Agreement.

**7. OWNERSHIP OF DOCUMENTS**

A. Consultant shall maintain complete and accurate records with respect to sales, costs, expenses, receipts and other such information required by Agency that relate to the performance of services under this Agreement. Consultant shall maintain adequate records of services provided in sufficient detail to permit an evaluation of services. All such records shall be maintained in accordance with generally accepted accounting principles and shall be clearly identified and readily accessible. Consultant shall provide free access to the representatives of Agency or its designees at reasonable times to such books and records, shall give Agency the right to examine and audit said books and records, shall permit Agency to make transcripts there from as necessary, and shall allow inspection of all work, data, documents, proceedings and activities related to this Agreement. Such records, together with supporting documents, shall be maintained for a period of three (3) years after receipt of final payment.

B. Upon completion of, or in the event of termination or suspension of this Agreement, all original documents, designs, drawings, maps, models, computer files containing data generated for the work, surveys, notes, and other documents prepared in the course of providing the services to be performed pursuant to this Agreement shall become the sole property of the Agency and may be used, reused or otherwise disposed of by the Agency without the permission of the Consultant. With respect to computer files containing data generated for the work, Consultant shall make available to the Agency, upon reasonable written request by the Agency, the necessary computer software and hardware for purposes of accessing, compiling, transferring and printing computer files.

**8. INDEMNIFICATION.** The Consultant agrees to defend, indemnify, protect and hold harmless the Agency, its officers, officials, employees and volunteers from and against any and all claims, demands, losses, defense costs or expenses, including attorney fees and expert witness fees, or liability of any kind or nature which the Agency, its officers, agents and employees may sustain or incur or which may be imposed upon them for injury to or death of persons, or damage to property arising out of Consultant's negligent or wrongful acts or omissions arising out of or in any way related to the performance or non-performance of this Agreement, excepting only liability arising out of the negligence of the Agency.

**9. INSURANCE REQUIREMENTS.** Consultant shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property, which may arise from or in connection with the performance of the work hereunder by the Consultant, its agents, representatives, or employees.

A. Minimum Scope of Insurance. Coverage shall be at least as broad as:

1) Insurance Services Office Commercial General Liability form No. CG 00 01 11 85 or 88.

2) Insurance Services Office Business Auto Coverage form CA 00 01 06 92 covering Automobile Liability, code 1 (any auto). If the Consultant owns no automobiles, a non-owned auto endorsement to the General Liability policy described above is acceptable.

3) Worker's Compensation insurance as required by the State of California and Employer's Liability Insurance. If the Consultant has no employees while

performing under this Agreement, worker's compensation insurance is not required, but Consultant shall execute a declaration that it has no employees.

4) Professional Liability Insurance shall be written on a policy form providing professional liability for the Consultant's profession.

B. Minimum Limits of Insurance. Consultant shall maintain limits no less than:

1) General Liability: \$2,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

2) Automobile Liability: \$2,000,000 per accident for bodily injury and property damage.

3) Worker's Compensation as required by the State of California; Employer's Liability: One million dollars (\$1,000,000) per accident for bodily injury or disease.

4) Professional Liability coverage: Two million (\$2,000,000) per claim and in aggregate.

C. Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by the Executive Director. At the option of the Executive Director, either the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the Agency, its officers, officials, employees and volunteers; or the Consultant shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.

D. Other Insurance Provisions. The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

1) The Agency, its officers, officials, employees and volunteers are to be covered as additional insureds in respect to: liability arising out of activities performed by or on behalf of the Consultant; products and completed operations of the Consultant; premises owned, occupied or used by the Consultant; or automobiles owned, leased, hired or borrowed by the Consultant. The coverage shall contain no special limitations on the scope of protection afforded to the Agency, its officers, officials, employees or volunteers.

2) For any claims related to this project, the Consultant's insurance coverage shall be primary insurance as respects the Agency, its officers, officials, employees and volunteers. Any insurance or self-insured maintained by the Agency, its officers, officials, employees or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.

3) Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to the Agency, its officers, officials, employees or volunteers.



4) The Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

5) Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the Agency.

E. Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII, unless otherwise acceptable to the Agency. Self insurance shall not be considered to comply with these insurance requirements.

F. Verification of Coverage. Consultant shall furnish the Agency with original endorsements effecting coverage required by this clause. The endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf. The endorsements are to be on forms provided by the Agency. All endorsements are to be received and approved by the Agency before work commences. As an alternative to the Agency's forms, the Consultant's insurer may provide complete, certified copies of all required insurance policies, including endorsements effecting the coverage required by these specifications.

## **10. INDEPENDENT CONTRACTOR**

A. Consultant is and shall at all times remain as to the Agency a wholly independent contractor. The personnel performing the services under this Agreement on behalf of Consultant shall at all times be under Consultant's exclusive direction and control. Neither Agency nor any of its officers, employees, agents, or volunteers shall have control over the conduct of Consultant or any of Consultant's officers, employees, or agents except as set forth in this Agreement. Consultant shall not at any time or in any manner represent that it or any of its officers, employees or agents are in any manner officers, employees or agents of the Agency. Consultant shall not incur or have the power to incur any debt, obligation or liability whatever against Agency, or bind Agency in any manner.

B. No employee benefits shall be available to Consultant in connection with the performance of this Agreement. Except for the fees paid to Consultant as provided in the Agreement, Agency shall not pay salaries, wages, or other compensation to Consultant for performing services hereunder for Agency. Agency shall not be liable for compensation or indemnification to Consultant for injury or sickness arising out of performing services hereunder.

**11. LEGAL RESPONSIBILITIES.** The Consultant shall keep itself informed of all local, State and Federal ordinances, laws and regulations which in any manner affect those employed by it or in any way affect the performance of its service pursuant to this Agreement. The Consultant shall at all times observe and comply with all such ordinances, laws and regulations. The Agency, and its officers and employees, shall not be liable at law or in equity occasioned by failure of the Consultant to comply with this section.

**12. RELEASE OF INFORMATION**

A. All information gained by Consultant in performance of this Agreement shall be considered confidential and shall not be released by Consultant without Agency's prior written authorization. Consultant, its officers, employees, agents or subcontractors, shall not without written authorization from the Executive Director or unless requested by Agency Counsel, voluntarily provide declarations, letters of support, testimony at depositions, response to interrogatories or other information concerning the work performed under this Agreement or relating to any project or property located within the Agency. Response to a subpoena or court order shall not be considered "voluntary" provided Consultant gives Agency notice of such court order or subpoena.

B. Consultant shall promptly notify Agency should Consultant, its officers, employees, agents or subcontractors be served with any summons, complaint, subpoena, notice of deposition, request for documents, interrogatories, request for admissions or other discovery request, court order or subpoena from any party regarding this Agreement and the work performed there under or with respect to any project or property located within the Agency. Agency retains the right, but has no obligation, to represent Consultant and/or be present at any deposition, hearing or similar proceeding. Consultant agrees to cooperate fully with Agency and to provide Agency with the opportunity to review any response to discovery requests provided by Consultant. However, Agency's right to review any such response does not imply or mean the right by Agency to control, direct, or rewrite said response.

**13. NOTICES.** Any notices which either party may desire to give to the other party under this Agreement must be in writing and may be given either by (i) personal service, (ii) delivery by a reputable document delivery service, such as but not limited to, Federal Express, that provides a receipt showing date and time of delivery, or (iii) mailing in the United States Mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below or at any other address as that party may later designate by Notice. Notice shall be effective upon delivery to the addresses specified below or on the third business day following deposit with the document delivery service or United States Mail as provided above.

To Agency:                      Agoura Hills Redevelopment Agency  
30001 Ladyface Court  
Agoura Hills, California 91301  
Attention: Executive Director

To Consultant:                      Chandler Asset Management  
Attn: Operations Department  
6225 Lusk Boulevard  
San Diego, CA 92121

**14. ASSIGNMENT; AMENDMENT.** Neither the Agency nor the Consultant shall assign the performance of this Agreement, or any part thereof, or any monies due hereunder,

without prior written consent of the other party, which consent shall not be unreasonably withheld or delayed. This Agreement may be amended at any time by mutual agreement in writing. Upon termination of this Agreement, Consultant's sole compensation shall be payment for actual services performed up to, and including, the date of termination or as may be otherwise agreed to in writing between the Agency Board and the Consultant.

**15. LICENSES.** At all times during the term of this Agreement, Consultant shall have in full force and effect, all licenses required of it by law for the performance of the services described in this Agreement.

**16. GOVERNING LAW.** The Agency and Consultant understand and agree that the laws of the State of California shall govern the rights, obligations, duties and liabilities of the parties to this Agreement and also govern the interpretation of this Agreement.

**17. ARBITRATION.** The Agency and Consultant agree that any controversy between Consultant and the Agency arising out of Consultant's services hereunder or this Agreement, shall be submitted to binding arbitration conducted under the provisions of the commercial arbitration rules of the American Arbitration Association. Arbitration must be commenced by service upon the other party of a written demand for arbitration or a written notice of intention to arbitrate. In the event the parties are unable to agree upon an arbitrator, an arbitrator shall be selected through the American Arbitration Association.

**18. PROHIBITED INTEREST.** No officer, or employee of the Agoura Hills Redevelopment Agency shall have any financial interest, direct or indirect, in this Agreement, the proceeds thereof, the Consultant, or Consultant's sub-contractors for this project, during his/her tenure or for one year thereafter. The Consultant hereby warrants and represents to the Agency that no officer or employee of the Agoura Hills Redevelopment Agency has any interest, whether contractual, non-contractual, financial or otherwise, in this transaction, or in the business of the Consultant or Consultant's sub-contractors on this project. Consultant further agrees to notify the Agency in the event any such interest is discovered whether or not such interest is prohibited by law or this Agreement.

**19. SEVERABILITY.** Any provision of this Agreement which is prohibited or unenforceable shall be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof.

**20. ENTIRE AGREEMENT.** This Agreement contains the entire understanding between the parties relating to the obligations of the parties described in this Agreement. All prior or contemporaneous agreements, understandings, representations and statements, oral or written, are merged into this Agreement and shall be of no further force or effect. Each party is entering into this Agreement based solely upon the representations set forth herein and upon each party's own independent investigation of any and all facts such party deems material.

**21. AUTHORITY TO EXECUTE THIS AGREEMENT.** The person or persons executing this Agreement on behalf of Consultant warrants and represents that he or she has the authority to execute this Agreement on behalf of the Consultant and has the authority to bind Consultant to the performance of its obligations hereunder.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed the day and year first above written.

**AGOURA HILLS REDEVELOPMENT  
AGENCY**

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Harry Shwarz  
Chair

ATTEST:

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Kimberly M. Rodrigues, MMC  
Agency Secretary

APPROVED AS TO FORM:

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Craig A. Steele,  
Agency Counsel

**CONSULTANT**

Chandler Asset Management  
Attn: Operations Dept.  
625 Lusk Boulevard  
San Diego, CA  
(800)317-4747  
(858)546-3741 fax

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**[Signatures of Two Corporate Officers Required]**

## EXHIBIT A

### TASKS TO BE PERFORMED

*The specific elements (scope of work) of this service include:*

- A. **Scope of Services -- General.** Consultant shall provide fixed-income investment management services for Agency's portfolio to invest and reinvest Agency's assets as directed by Agency in accordance with this Agreement and in accordance with Agency's investment policy. A copy of the Agency's current investment policy is attached hereto as Exhibit C. If Agency amends its investment policy, Agency shall provide to Consultant a copy of such amended investment policy promptly after the Agency Board's approval of such amended investment policy.
- **Portfolio Management** – Consultant shall direct management of Agency's portfolios employing a highly disciplined approach to managing portfolios. Consultant's team members shall use its best efforts to structure portfolios that achieve Agency's objectives. Consultant's disciplined investment approach shall:
    - o Effectively manage portfolio risk;
    - o Rebalance the portfolio as needed to maintain the appropriate risk profile;
    - o Employ a proprietary, quantitatively based credit analysis process;
    - o Use Consultant's proprietary, quantitative Horizon Analysis Model (the Model) to determine the optimal portfolio structure for the current interest rate and yield curve environment.
  - **Investment Policy Review** – Consultant shall begin its services under this Agreement with a thorough review of investment policy and existing practices. Thereafter, Consultant shall review the investment policy at least annually and recommend revisions when necessary, subject to Agency's approval of any such recommended revisions and applicable California law governing investments of municipalities such as Agency.
  - **Competitive Transaction Executions, Settlement, and Documentation.** Consultant shall execute all investments on a competitive basis, and document the quotes received. Consultant shall settle all trades at Agency's custodian bank using "delivery-vs.-payment" procedures.
  - **Portfolio Accounting and Reporting.** Consultant shall provide to Agency a monthly report that includes a management summary of portfolio characteristics, policy compliance and performance, as well as full accounting detail. All such reports shall be available no later than the third business day following month-end.
  - **Online Access.** Consultant shall provide and make available to Agency timely online access to portfolio transactions and holdings.

- **Compliance Reporting.** Consultant shall include in the monthly report a detailed report of compliance with Agency's then applicable investment policy.
- **Client Education.** Consultant shall provide to Agency, at no additional charge and upon Agency's request made reasonably in advance of any such requested presentation, a reasonable number of educational presentations for staff, management and elected officials.
- **Communication.** Consultant shall keep Agency fully informed of investment strategies, market conditions and developments that are relevant to Agency's investment program(s). Consultant shall meet with Agency on a quarterly basis, and Consultant's investment professionals shall be available by phone during Consultant's customary extended business hours.

**B. Client Representative.** In its capacity as investment manager, Consultant shall receive all instructions, directions and other communications on Agency's behalf respecting Agency's account from Greg Ramirez, Executive Director ("Representative"). Consultant is hereby authorized to rely and act upon all such instructions, directions and communications from such Representative or any agent of such Representative who has been duly authorized by Representative in writing to provide instructions, directions and communications to Consultant.

**C. Authority of Chandler.** Agency hereby grants to Consultant full discretion to invest and reinvest all assets under Consultant's management in any type of security Consultant deems appropriate, subject to the instructions given or guidelines set by Representative on behalf of Agency and the terms and conditions of this Agreement.

**D. Electronic Delivery.** From time to time, Consultant may be required to deliver certain documents to Agency such as account information, notices and required disclosures. Agency hereby consents to Consultant's use of electronic means, such as email, to make such delivery. This delivery may include notification of the availability of such document(s) on a website, and Agency agrees that such notification will constitute "delivery". Agency further agrees to provide Consultant with Agency's email address(s) and to keep this information current at all times by promptly notifying Consultant of any change in email address(s).

Agency email address: [cpinuelas@ci.agoura-hills.ca.us](mailto:cpinuelas@ci.agoura-hills.ca.us)

**E. Proxy Voting.** Consultant will vote proxies on behalf of Agency unless otherwise instructed. Consultant has adopted and implemented written policies and procedures and will provide Agency with a description of the proxy voting procedures upon request. Consultant will provide information regarding how Agency's proxies were voted upon request. To request proxy policies or other information, Agency shall contact Consultant by mail at the address provided under Section 13 of this Agreement, by calling 800-317-4747 or by emailing Agency's request to [info@chandlerasset.com](mailto:info@chandlerasset.com).

**F. Custody of Securities and Funds.** Consultant shall not have custody or possession of the funds or securities that Agency has placed under its management. Agency shall appoint a

custodian to take and have possession of its assets. Agency recognizes the importance of comparing statements received from the appointed custodian to statements received from Consultant. Agency recognizes that the fees expressed in Exhibit B of this Agreement do not include fees Agency will incur for custodial services.

- G. Valuation.** Consultant shall value securities held in portfolios managed by Consultant no less than monthly. Securities or investments in the portfolio shall be valued in a manner determined in good faith by Consultant to reflect fair market value.
- H. Investment Advice.** Agency recognizes that the opinions, recommendations and actions of Consultant will be based on information deemed by it to be reliable, but not guaranteed to or by it. Provided that Consultant acts in good faith, Agency agrees that Consultant will not in any way be liable for any error in judgment or for any act or omission, except as may otherwise be provided for under the federal securities laws or other applicable laws.
- I. Payment of Commissions.** Consultant may place buy and sell orders with or through such brokers or dealers as it may select. It is the policy and practice of Consultant to strive for the best price and execution and for commission and discounts which are competitive in relation to the value of the transaction and which comply with Section 28(e) of the Securities Exchange Act of 1934. Nevertheless, it is understood that Consultant may pay a commission on transactions in excess of the amount another broker or dealer may charge, and that Consultant makes no warranty or representation regarding commissions paid on transactions subject to this Agreement.
- J. Other Clients.** It is further understood that Consultant may be acting in a similar capacity for other institutional and individual clients, and that investments and reinvestments for Agency's portfolio may differ from those made or recommended with respect to other accounts and clients even though the investment objectives may be the same or similar. Accordingly, it is agreed that Consultant will have no obligation to purchase or sell for Agency's account any securities which it may purchase or sell for other clients.
- K. Confidential Relationship.** To the extent permitted under applicable law, Consultant and Agency agree that the terms and conditions of this Agreement, and all information and advice furnished by either party to the other shall be treated as confidential and shall not be disclosed to third parties except (i) as required by law, rule, or regulation, (ii) as requested by a regulatory authority, (iii) for disclosures by either party of information that has become public by means other than wrongful conduct by such party or its officers, employees, or other personnel, (iv) for disclosures by either party to its legal counsel, accountants, or other professional advisers, (v) as necessary for Consultant to carry out its responsibilities hereunder, or (vi) as otherwise expressly agreed by the parties. Consultant acknowledges that Agency is a public body, corporate and politic, subject to the Ralph M. Brown Act (California Government Code Section 54950 et seq.), the California Public Records Act (California Government Code Section 6250 et seq.), and other laws and regulations that require public access and transparency and limit confidential treatment of Agency's records, including but not limited to this Agreement.

**L. Receipt of Brochure and Privacy Policy.** Agency acknowledges it has received the disclosure statement or "brochure" required to be delivered pursuant to Rule 204-3 promulgated by the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940. Agency acknowledges it has received a copy of Consultant's Privacy Policy.



## EXHIBIT B

### PAYMENT RATES AND SCHEDULE

Agency shall compensate Consultant monthly an amount calculated on the average market value of Agency's portfolio, including accrued interest and determined pursuant to this Exhibit B as described further below, in accordance with the following schedule:

Assets Under Management	Annual Investment Management Fee
First \$20 million	0.12 of 1% (12 basis points)
Next \$40 million	0.09 of 1% (9 basis points)
Assets in excess of \$60 million	0.06 of 1% (6 basis points)

For the purposes of determining the applicable percentage fee under the tiered fee structure set forth above with respect to the fee calculation for any monthly period, Consultant agrees that the average market value of Agency's portfolio will be aggregated with the average market value of the City of Agoura Hills' portfolio for which Consultant provides investment management services during the applicable monthly period, so that both the Agency and the City of Agoura Hills receive the benefit of lower fees in accordance with the tiered fee structure, due to higher combined assets under management. Agency and Consultant agree that Agency shall be responsible to pay only fees attributable to its own portfolio, and not any fees attributable to the portfolio of the City of Agoura Hills.

The fees expressed above do not include any custody fees that may be charged by Agency's bank or other third party custodian.

Fees shall be prorated to the effective date of termination on the basis of actual days elapsed, and any unearned portion of prepaid fees shall be refunded. Agency is not required to pay any start-up or closing fees; there are no penalty fees.

**EXHIBIT C**  
**CURRENT AGENCY INVESTMENT POLICY**

[SEE ATTACHED]