

# S A M P L E

## REQUEST FOR PROPOSALS INVESTMENT ADVISORY SERVICES

### INTRODUCTION

The City of \_\_\_\_\_ is seeking proposals from investment advisors who are registered with the Securities and Exchange Commission and the Texas State Securities Board to provide non-discretionary portfolio management services for the City's \$\_\_\_\_\_ investment portfolio.

This Request for Proposals (RFP) is designed to present interested firms with the description of the City's current investment program, the services we require, and a format for responding to our request.

### BACKGROUND

The investment of \_\_\_\_\_ funds is governed by Texas Government Code, Chapter 2256 – “Public Funds Investment Act” and the City's Charter. The City's primary investment objectives in order of importance are the preservation of principal, maintenance of sufficient liquidity, and a reasonable and competitive return.

We are, therefore, seeking advisors who demonstrate extensive experience, especially with fixed-income securities, to provide certain services related to the investment of City funds, including the execution of securities purchases/sales for the City's operating and bond funds, investment advice, investment reporting, and review of the City's Investment Policy and procedures. The City has separately contracted for securities clearing and safekeeping with \_\_\_\_\_ (“Custodian”). All City securities will be held at the Custodian in the name of the City of \_\_\_\_\_.

Day to day management responsibility for the investment program is delegated by \_\_\_\_\_, as investment officer(s), to the \_\_\_\_\_ Division. The advisor will receive instructions regarding securities purchases/sales from \_\_\_\_\_ Division authorized staff.

The majority of City funds are pooled for investment purposes and managed according to the City's approved Investment Policy (Exh. A). Also attached is a detailed description of the City's Investment Pool, a 3 year comparison of the City's returns to the benchmark, and current cash flow projections (Exh. B-D).

The City's Investment Committee meets at least quarterly to review investment performance and strategy and the advisor is expected to attend these meetings.

## **TERMS AND CONDITIONS**

- Term of Contract
- Indemnification language
- Insurance requirements
- Termination clause
- Good Faith Effort Plan/Work Force Report
- Exceptions
- Right to reject
- PFIA Investment Policy Certification

## **SELECTION CRITERIA**

- 1) Proposal responsiveness ( \_\_%)
- 2) Demonstrated ability in providing similar services to municipalities and/or other public entities ( \_\_%)
- 3) Professional qualifications and experience ( \_\_%)
- 4) Recommended approach to management of the City's portfolio ( \_\_%)
- 5) Additional investment or financial services offered or available through affiliation ( \_\_%)
- 6) Cost ( \_\_%)

## **SUBMISSION INFORMATION**

Sealed proposals must be received no later than \_\_\_\_\_ p.m., \_\_\_\_\_, 1999. Late proposals will not be considered.

The original proposal and \_\_\_ copies should be submitted to:

Inquiries should be directed to:

The firms representing the top three proposals will be interviewed.

## MINIMUM SERVICE REQUIREMENTS

The Investment Advisor shall:

- 1) Be a registered Investment Advisor as defined and regulated by the Securities and Exchange Commission and be registered with the Texas State Securities Board.
- 2) Be either completely independent of any financial institution or securities brokerage firm; or fully and continuously disclose any relationships with such financial institution(s) and/or securities brokerage firm(s), and further disclose any commissions, bonuses, or soft-dollar payments resulting from the firm's relationship with the City.
- 3) Take no possession of City monies or investment securities, nor have access to or control over such monies and/or securities.
- 4) Comply with Texas State law and the ordinances and policies of the City of \_\_\_\_\_.
- 5) Review and recommend changes to the City's Investment Policy.
- 6) Review the present investment management procedures and documentation and propose improvements.
- 7) Assist in developing and implementing investment strategies that will enhance portfolio performance under current and anticipated changes in market conditions within the parameters of established investment policies and cash flow needs. Make presentations to the City's Investment Committee, as needed, to support recommendations relating to investment strategy.
- 8) Provide non-discretionary management of the City's investment portfolio by acting solely in an advisory and administrative capacity within the guidelines of the City's Investment Policy.
- 9) Provide daily, timely assessments of the market including market reaction to economic events.
- 10) Execute securities purchases/sales upon verbal instructions from authorized City staff. After a trade is executed, the advisor must confirm to the City by fax all details of the trade including the dealers contacted and the prices received. An official trade confirmation must be mailed to the City within five business days of the transaction. The City is responsible for instructing the Custodian to either accept or deliver securities transacted through the advisor.
- 11) Obtain a minimum of three offers/bids for each trade and provide monthly reports documenting total trades offered and awarded to each dealer.
- 12) Provide detailed monthly reports, in a format acceptable to the City, which include the following information on each security: par value, cost value, book value, market value.... etc.
- 13) Attend Investment Committee meetings and present quarterly performance reports which shall include current information regarding the creditworthiness of investments in the portfolio, total return comparisons of the City's portfolio to the established index for the quarter and since inception; and market commentary and future outlook as it pertains to the City's portfolio.

## **RESPONSE FORMAT**

To facilitate comparisons between responding firms, please format your response to this request in the following order:

### **1) ORGANIZATION**

- a) Describe the organization, date founded, and ownership of your firm as well as any subsidiaries and affiliates relevant to the City of \_\_\_\_\_.
- b) Describe the experience of the firm in serving as investment advisor for municipalities and other public entities.
- c) Identify the types of accounts primarily sought by your firm.
- d) Describe any SEC or regulatory censure or litigation involving institutional business your firm conducts with governmental investors at this time or within the past three years.
- e) Describe why accounts, if any, have dropped the firm in the past three years.
- f) Provide copies of your ADV Parts I and II, as on file with the SEC, and proof of registration with the Texas State Securities Board.
- g) Provide audited financial statements for the past 3 years.

### **2) PERSONNEL**

- a) Identify the size of the firm's staff commitment to the public sector and the credentials of key personnel.
- b) Identify the investment professionals who would be directly involved in providing services to the City. Describe their relationship to your firm, their responsibilities, their experience in the investment business, and specifically with public sector investment management, and the number of years they have been associated with your firm.
- c) Have any of the above personnel ever been investigated for alleged improper, fraudulent or unfair activities related to the sale of securities? If so, please provide details.
- d) What efforts does your firm make to keep its investment professionals informed of developments relevant to government investment managers?

### **3) INVESTMENT MANAGEMENT APPROACH**

- a) Outline the steps that would be taken to ensure the City's objectives of safety, liquidity, and yield.
- b) What is your firm's experience in developing investment policies and portfolio strategies for governmental operating funds?
- c) Describe the types of investment research utilized and the methods for making investment decisions, including maturity and selection.
- d) What are the primary strategies for adding value to portfolios?
- e) What performance benchmarks would you suggest for the portfolio?
- f) Describe the daily procedures for portfolio review and client contact.

### **4) REPORTING**

- a) Describe and submit samples of the reports that would be provided and their frequency. Include the methods and formulas used to calculate yield and performance.

### **5) FEES**

- a) Describe the proposed compensation for services either as a flat annual fee or as a per trade fee with an annual cap.

### **6) REFERENCES**

- a) Provide a list of your five largest public sector clients, including contact persons and telephone numbers.