



**Request for Qualifications
Municipal Investment Advisor**

January 16, 2025

City of Hillsdale – 2025 Municipal Investment Advisor RFQ

SECTION 1 GENERAL INFORMATION

A. OBJECTIVE

The City of Hillsdale (City) is soliciting proposals from investment advisory firms (referred to hereafter as consultant) for portfolio management services for approximately \$22 million in operating and capital funds (non-pension funds). The contract will be for a period of 3 years with service to begin July 1, 2025, and extend through June 30, 2028. A contract extension of two years, concluding June 30, 2030, will be executable with the consent of both the City and the consultant.

Specific services, although not all-inclusive, are to be performed as follows:

- Assist the City with cash flow/maturity analysis.
- Provide credit analysis of investment instruments in portfolio.
- Provide monthly, quarterly, and semi-annual reporting on all government entity funds.
- Attend meetings with City staff and/or officials as necessary. The City desires a minimum of one (1) meetings annually.
- Evaluate market risk and develop strategies that minimize risk to the portfolio.
- Provide assurance of portfolio compliance with applicable policies and laws.
- Establish and monitor appropriate performance benchmarks.
- Provide periodic review of the City's investment policy and recommend appropriate amendments.
- Be aware of and communicate changes in pertinent regulations, rules, pronouncements, and State or Federal law that affect the City's investment portfolio.
- Ensure portfolio structure matches the City's investment portfolio objectives.
- Manage broker/dealer relationships.
- Manage trading activity, including purchase, sale, and coupon transactions.
- Reconcile portfolio to Custodial Safekeeping quarterly.

Under this contract the City of Hillsdale objectives are:

- Maximize incremental income from its portfolio while maintaining appropriate risk tolerances.
- Provide for operational efficiency and information flow on the portfolio.
- Improve its investment capabilities.

The City's audits and budgets are available at:

<https://www.cityofhillsdale.org/finance>

The City's Investment Policy is available upon request.

As of June 30, 2024, the City’s Deposit and Investment structure was as follows:

	Primary Government	Fiduciary Funds	Component Unit	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 7,411,578	\$ 103	\$ 191,696	\$ 7,603,377
Investments in securities, mutual funds and similar vehicles	21,642,271	-	173,310	21,815,581
Petty cash and cash on hand	1,350	400	-	1,750
	<u>\$ 29,055,199</u>	<u>\$ 503</u>	<u>\$ 365,006</u>	<u>\$ 29,420,708</u>

The portfolio’s maturity horizon was distributed as follows:

Investment	Carrying Value
No maturity	\$ 646,296
Less than 1 year	13,411,727
1-5 years	7,757,558
	<u>\$ 21,815,581</u>

The portfolio’s diversification of assets was as follows:

Investment Type	Carrying Value
Cash & Cash Equivalents	\$ 876,389
Fixed rate bonds - Municipal Bonds	378,808
U.S. Government agency securities	3,848,625
U.S. Government Treasuries	5,900,262
Michigan Class	10,811,497
	<u>\$ 21,815,581</u>

B. TIMELINE FOR PROCUREMENT PROCESS

The City of Hillsdale has developed the following timetable and fully expects to execute a finalized banking services agreement on or before April 18, 2025:

- Issue RFP on January 16, 2025
- Deadline to submit questions - 3:00 p.m., January 31, 2025
- Deadline for Proposals - 3:00 p.m., February 12, 2025
- Opening of Proposals – 10:00am., February 13, 2025
- Interview with Selected Firms – March 3, 2025 (if necessary)
- Staff recommendation to Finance Committee – March 17, 2025
- Recommendation and Approval by City Council – April 7, 2025
- Finalize and Sign services agreement - week of April 14-18, 2025
- Implementation – Month of June 2025

C. QUESTIONS ABOUT AND CLARIFICATIONS OF THE REQUEST FOR QUALIFICATIONS (RFQ)

All questions regarding this RFQ shall be submitted via e-mail to the Finance Director, at finance@cityofhillsdale.org. All questions shall be submitted on or before January 31, 2025, at 3:00 p.m. Questions will be accepted and answered in accordance with the terms and conditions of this RFQ.

Should any prospective consultant be in doubt as to the true meaning of any portion of this RFQ, or should the consultant find any ambiguity, inconsistency, or omission therein, the consultant shall make a written request for an official interpretation or correction by the due date above.

All interpretations, corrections, or additions to this RFQ will be made only as an official addendum that will be posted to cityofhillsdale.org and MITN.info and it shall be the consultant's responsibility to ensure they have received all addenda before submitting a proposal. Any addendum issued by the City shall become part of the RFQ and must be incorporated in the proposal where applicable.

D. PROPOSAL FORMAT

To be considered, each firm must submit a response to this RFQ using the format provided in Section III. An official authorized to bind the consultant to its provisions must sign the proposal. Each proposal must remain valid for at least ninety days from the due date of this RFQ.

E. SELECTION CRITERIA

After initial evaluation, the City will determine top consultants and decide if formal interviews are necessary. Submitted proposals may be subject to clarification and further negotiation. All agreements resulting from negotiations that differ from what is represented within the RFQ or in the consultant's response shall be documented and included as part of the final contract. The chosen consultant may be required to be present at a City Council meeting (most likely April 7, 2025) before approval of the contract.

F. PROPOSAL SUBMISSION

Proposals may be submitted by email to City Clerk at kprice@cityofhillsdale.org or by mail to:

The City of Hillsdale
Investment Manager Proposals
97 Broad Street
Hillsdale, MI 49242

Proposals must be received by 3:00 pm on February 12, 2025. The City will not be liable to any consultant for any unforeseen circumstances, delivery, or postal delays. Postmarking on the due date will not substitute for receipt of the proposal. Consultants are responsible for submission of their proposal. Additional time will not be granted to a single consultant, however additional time may be granted to all consultants at the discretion of the City.

G. BID AWARD

The City reserves the right to award the total proposal, to reject any or all proposals in whole or in part, and to waive any informality or technical defects if, in the City's sole judgment, the best

interests of the City will be so served. It is anticipated that a recommendation will be made to City Council at their April 7, 2025 meeting.

H. COST LIABILITY

The City assumes no responsibility or liability for costs incurred by the consultant prior to the execution of a contract. The liability of the City is limited to the terms and conditions outlined in the Agreement. By submitting a proposal, consultant agrees to bear all costs incurred or related to the preparation, submission, and selection process for the proposal.

I. RESERVATION OF RIGHTS

- The City reserves the right in its sole and absolute discretion to accept or reject any or all proposals, or alternative proposals, in whole or in part, with or without cause.
- The City reserves the right to waive, or not waive, informalities or irregularities in terms or conditions of any proposal if determined by the City to be in its best interest.
- The City reserves the right to request additional information from any or all consultants.
- The City reserves the right to reject any proposal that it determines to be unresponsive and deficient in any of the information requested within RFQ.
- The City reserves the right to determine whether the scope of the project will be entirely as described in the RFQ, a portion of the scope, or a revised scope be implemented.
- The City reserves the right to select one or more consultants to perform services.
- The City reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this RFQ, unless clearly and specifically noted in the proposal submitted.
- The City reserves the right to disqualify proposals that fail to respond to any requirements outlined in the RFQ, or failure to enclose copies of the required documents outlined within RFQ.

J. DISCLOSURES

Under the Freedom of Information Act (Public Act 442), the City is obligated to permit review of its files, if requested by others. All information in a consultant's proposal is subject to disclosure under this provision. This act also provides for a complete disclosure of contracts and attachments thereto.

SECTION II SCOPE OF WORK

Services, including but not limited to the following, are to be performed by the consultant.

A. DEVELOP AN INVESTMENT PORTFOLIO THAT MATCHES THE CITY'S OBJECTIVES

- The City will provide data regarding payables, receivables, payroll, debt service, tax revenue, etc. Given this data, the consultant will provide a cash flow forecast and will provide semi-annual updates to the City.
- The consultant will adhere to the prudent investor standard.
- City staff will meet with the consultant as needed to ensure that City objectives are achieved.

B. PROVIDE RISK ANALYSIS OF INVESTMENT INSTRUMENTS IN THE CITY'S PORTFOLIO

The consultant will provide a quarterly report that details the credit, market and other risks inherent in the City's investment portfolios. The consultant will also provide ratings data for all banks with which the City utilizes, and any other banks or similar financial institutions that the City desires to include in such report.

C. PROVIDE MONTHLY, QUARTERLY, AND SEMI-ANNUAL REPORTING ON ALL MANAGED CITY FUNDS

- The consultant will provide monthly reports that include portfolio activity and performance, a summary and detail of securities held, maturity distribution, and detail of upcoming maturities and coupon payments.
- The consultant will provide semi-annual reports that include market environment and strategy discussion, economic overview, portfolio activity, cash flow analysis, portfolio performance, broker/dealer review, bank credit analysis, and other relevant information germane to the portfolios at the time of publishing.
- All reports shall be available electronically. Any reporting required herein may be consolidated into the monthly, quarterly, and/or semi-annual reports.

D. PROVIDE ASSURANCE OF PORTFOLIO COMPLIANCE WITH APPLICABLE POLICIES AND LAWS

- Be aware of and communicate changes in pertinent regulations, rules, pronouncements, and State or Federal law that affect the City's investment portfolio.
- Perform periodic reviews of the City's investment policy and recommend appropriate amendments.

E. MANAGE BROKER/DEALER AND OTHER INSTITUTIONAL RELATIONSHIPS

- The consultant will provide due diligence reporting on broker/dealers and other institutions with whom the City wishes to conduct business. The consultant will coordinate the execution of all necessary documentation relating to conducting business with its broker/dealers. The consultant will be the main point of contact for the City and its broker/dealers.
- The consultant will provide appropriate investment options to the City, analysis of the available options, and recommendations. The consultant will convey trades to broker/dealers and manage and/or troubleshoot any issues with trade execution. The City will manage its custodial safekeeping relationships.
- The consultant will provide timely updates regarding callable securities held in the City's portfolios.
- The consultant will provide periodic swap analysis calculations on the portfolio. The consultant will monitor market conditions and recommend such analysis when market conditions suggest swaps may be beneficial. The consultant will also perform such an analysis at the discretion of the City.
- Investment management will be performed on a non-discretionary basis, whereas the consultant will obtain approval from City staff prior to performing all investment transactions.

SECTION III
MINIMUM INFORMATION REQUIRED

A. PROPOSAL FORMAT

Consultants should organize Proposals into the following Sections:

- 1) Organization and Individual Professional Qualifications
- 2) Experience in Municipal Investment Management
- 3) Proposed Work Plan and Fees

The following describes the elements that should be included in each of the proposal sections:

1) Organization and Individual Professional Qualifications

- a) State the full name and address of your organization and, if applicable, the branch office or other subsidiary element that will perform, or assist in performing, the work. Indicate whether it operates as an individual, partnership, or corporation. If as a corporation, include whether it is licensed to operate in the State of Michigan.
- b) Describe the organization, date founded, and ownership of your firm. Has your firm experienced a material change in organizational structure, ownership, or management during the past three years? If so, please include this information.
- c) Identify who will be the primary contact for the relationship. Also include the name and contact information of the people who will be assigned to perform work on behalf of the City. Please include educational information, licensure, FINRA registration, and any applicable professional qualifications, certifications, or other relevant information. List any possible conflicts of interest.
- d) Describe the firm's sources of revenue. Does your firm act as a broker or as 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?
- e) Is your firm a registered investment advisor under the Investment Advisor's Act of 1940, as amended?
- f) Describe any SEC, FINRA, or regulatory notice, censure, or litigation involving your firm or its employees within the past three years.
- g) Provide the firm's most recent SEC Form ADV.
- h) Did you, or will you, pay a finder's fee to any third party for business related to this account? Specify the recipients of any fee.
- i) Outline the errors and omissions (professional liability) and fidelity bond coverage your firm carries. Provide a valid, current certificate of insurance.

2) Experience in Municipal Investment Management

- a) Describe your firm's experience in managing fixed income portfolios for public funds and governmental entities.
- b) Provide the number and types of accounts, total asset value, and composition of public entity portfolios currently managed by your firm.
- c) Identify your firm's training and education efforts to keep portfolio managers informed of developments relevant to the managing of municipal investments in Michigan.
- d) List five comparable or most representative governmental clients. Identify the nature of the funds and provide a contact name and number for each. At least two should be located in Michigan.

3) Proposed Work Plan and Fees

- a) Describe your firm's investment management philosophy, including your approach to managing municipal portfolios.
- b) What are your primary strategies for adding value to municipal portfolios?
- c) How do you handle fluctuating cash flows and cash flow forecasting?
- d) Describe how you would determine what investments to recommend to the City.
- e) How frequently would you suggest that your staff communicate with City staff?
- f) What types of internal controls would you apply to ensure that the City's funds are handled in a safe and secure manner?
- g) Describe what fees you would assess the City for your services, including an estimate of total fees within the first fiscal year (July 1 – June 30) of the contract. If fees are expected to increase annually, please include a schedule of those increases based on the City's fiscal year and the length of the contract, including possible extensions.

NOTE: The City prefers a fee structure that aligns the remuneration to the consultant with the goals of the City, such as a rate based upon a fixed number of basis points applied to the total value of the investment portfolio, on an annual basis.

- h) Include any other information that you would like the City to consider when making our decision on this contract.