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MEMORANDUM

Management Services Memo No. 12-028

DATE: JANUARY 12, 2012
TO: MAYOR AND COUNCIL
THRU: RICH DLUGAS, CITY MANAGER *RD*
FROM: DENNIS STRACHOTA, MANAGEMENT SERVICES DIRECTOR *DS*
SUBJECT: RESOLUTION NO. 4569 APPROVING AND AUTHORIZING THE MAYOR TO EXECUTE THE ADDENDUM TO THE AGREEMENT BETWEEN THE CITY AND PFM ASSET MANAGEMENT, L.L.C.

RECOMMENDATION

Staff recommends adoption of Resolution No. 4569 approving the Addendum to the Investment Management Agreement between the City of Chandler and PFM Asset Management, L.L.C. and authorizing the Mayor to execute same.

DISCUSSION

This addendum to the proposed investment management agreement between the City and PFM Asset Management authorizes the provision of investment management services to the Chandler Health Care Benefits Trust by PFM. When the City appointed trustees to the Trust to oversee the management and administration of the Trust, the City anticipated that the Trust Board would authorize staff to invest Trust funds in the same manner as it does for City funds. Subsequently, the Trust Board granted that authority, including the use of services by one of the City's investment management firms. PFM has been providing investment management services to the Trust since the Board's inception in 2010. This addendum authorizes those services to continue with the approval of the proposed investment management agreement between the City and PFM.

PROPOSED MOTION

Move to pass and adopt Resolution No. 4569 approving the Addendum to the Agreement between the City and PFM Asset Management, L.L.C., executing the same and authorizing and directing City staff to implement the Addendum.

Attachment: Addendum

c: Pat McDermott, Assistant City Manager
Jeff Clark, Fire Chief

RESOLUTION NO. 4569

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA, APPROVING AND AUTHORIZING THE MAYOR TO EXECUTE THE ADDENDUM TO AGREEMENT BETWEEN CITY OF CHANDLER AND PFM ASSET MANAGEMENT, L.L.C.

WHEREAS, the City of Chandler (“City”) and PFM Asset Management, L.L.C. have negotiated the terms of an agreement between themselves for asset management services bearing the same date as this Addendum; and that has been approved pursuant to Resolution No. ____ on this same date; and

WHEREAS, on August 16, 2010, the City established the Chandler Health Care Benefits Trust (“Trust”), a governmental trust exempt from taxation under Internal Revenue Code Section 115; and

WHEREAS, subsequent to the establishment of the Trust, the City duly appointed Trustees to oversee the management and administration of the Trust. The Trustees are collectively known as the Chandler Health Care Benefits Trust Board (the “Board”); and

WHEREAS, the Board has authorized the Director of the City of Chandler Management Services Department and the Director of the City of Chandler Human Resources Division, or their designee(s) (collectively, “City Staff”) to establish one or more accounts with J.P. Morgan Chase Bank, N.A. in order to accept contributions to the Trust, make payments by the Trust, and invest Trust Funds; and

WHEREAS, the Board has through its Resolution No. HB 0001 authorized City Staff to place certain funds with an Investment Manager, as that term is defined in Ordinance No. 4245 and/or the Chandler Health Care Benefits Trust, provided that the Investment Manager agrees in a writing directed to the Trust Board (a) to act in the same manner and with the obligations and limitations as would apply to the Trust Board under the Trust Agreement and (b) to provide investment reports to the Trust Board no less than quarterly and as may be reasonably requested by the Chairperson of the Trust Board; and

WHEREAS, it is necessary for the City, the Trust and the Company to enter an agreement specifying the terms under which the Company shall provide investment management services to the Trust.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Chandler, Arizona, as follows:

1. The City Council hereby approves the *Addendum to Agreement between the City of Chandler and PFM Asset Management, L.L.C.*
2. The Mayor is hereby authorized to execute the *Addendum to Agreement between the City of Chandler and PFM Asset Management, L.L.C.*
3. That the various City offices and employees be and they hereby are authorized and directed to perform all acts necessary to give effect to this Resolution.

PASSED AND ADOPTED by the City Council of the City of Chandler, Arizona, this ____ day of _____, 2012.

ATTEST:

CITY CLERK

MAYOR

APPROVED AS TO FORM:



CITY ATTORNEY

CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Resolution No. 4569 was duly passed and adopted by the City Council of the City of Chandler, Arizona, at a regular meeting held on the ____ day of _____, 2012, and that a quorum was present thereat.

CITY CLERK

**ADDENDUM TO
AGREEMENT BETWEEN THE CITY OF
CHANDLER AND PFM ASSET MANAGEMENT LLC**

THIS ADDENDUM is made as of _____, 2011 (the "Addendum") by and among the **CITY OF CHANDLER, ARIZONA**, a municipal corporation organized and existing under the laws of the State of Arizona (the "City"), the **CHANDLER HEALTH CARE BENEFITS TRUST**, a trust established and existing under the law of the State of Arizona and the ordinances of the City (the "Trust"), and **PFM ASSET MANAGEMENT LLC**, a Delaware Limited Liability Company, (the "Company").

Recitals

A. The City and the Company are parties to an Investment Management Agreement (the "Agreement") under which the Company provides investment management services to the City.

B. The City established the *Chandler Health Care Benefits Trust Fund* (the "Trust Fund"), through Ordinance No. 4245, passed and adopted on August 16, 2010 (the "Ordinance"), and the City also approved the Chandler Health Care Benefits Trust Agreement through Resolution No. 4447, passed and adopted on August 16, 2010, and executed and dated as of August 7, 2010 (the "Trust Agreement").

C. Subsequently, the City duly appointed Trustees for the Trust, which Trustees are collectively known as the Chandler Health Care Benefits Trust Board (the "Trust Board").

D. The Trust Board has authorized the Director of the City of Chandler Management Services Department, or his/her designee(s) (collectively, "City Staff") to establish one or more accounts in order to accept contributions to the Trust, make payments by the Trust, and invest Trust funds pursuant to the Agreement.

NOW THEREFORE, in consideration of the recitals and the mutual promises hereinafter set forth, the City, the Trust and the Company hereby agree as follows:

1. **Relationship to Agreement.** Except as specifically required to implement the purposes of this Addendum, or to the extent inconsistent with this Addendum, all terms of the Agreement remain in force and effect.
2. **Management of Trust Accounts.** The City maintains one or more Accounts in the name of the Trust (the "Trust Accounts"). The City Staff shall identify to the Company in writing the specific Trust Accounts for which the Company shall provide investment management services pursuant to the requirements of Ordinance No. 4245, the Trust Agreement, and this Addendum.

3. **Agreement to Act in Same Manner as Trust Board and to Provide Investment Reports.** The Company agrees (a) to act in the same manner and with the obligations and limitations as would apply to the Trust Board under the Trust Agreement, with respect to the investment of the assets in the Trust Accounts, and (b) to provide investment reports to the Trust Board no less than quarterly or as may be reasonably requested by the Chairperson of the Trust Board.
4. **Terms.** The following terms shall apply to the Trust Accounts.
 - (a) **Separation.** The Company shall ensure that on its records the Trust Accounts are separate from the City's other accounts. The investments in the Trust Accounts shall not be commingled with the investments of any other account.
 - (b) **Setoff.** The Company shall have no right of setoff against the assets in the Trust Accounts.
 - (c) **Authority.** The Company acknowledges that the Trust Board has delegated authority to City Staff concerning the Accounts. Upon written notice from the Trust Board that the Trust Board has revoked such authority, the Company shall take direction concerning the Accounts from the Trust Board or its new delegee. In such an event, the Company and the Board shall adhere to the terms of the Agreement, in good faith and to the extent feasible, while they negotiate a new investment management services agreement.
 - (d) **Tax Status.** The Company shall take all actions necessary to designate the Trust Accounts as exempt from taxation. Where applicable and relevant, the Company's records and reporting shall reflect the Trust Accounts' status as exempt from taxation.

[Remainder of this page intentionally left blank. Signatures on following page.]

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date set forth above, by and through the duly authorized representatives as set forth below.

CITY OF CHANDLER,
a municipal corporation

ATTEST:

By: _____

City Clerk

Its: _____

CHANDLER HEALTH CARE BENEFITS
TRUST, a trust

ATTEST:

By: _____

City Clerk

Its: _____

APPROVED AS TO FORM:

City Attorney *plm*

PFM ASSET MANAGEMENT LLC,
A Delaware limited liability company

By:  _____

Its: Managing Director