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DEC 12 2013



MEMORANDUM Management Services Memo No. 14-027

DATE: DECEMBER 12, 2013
TO: MAYOR AND COUNCIL
THRU: RICH DLUGAS, CITY MANAGER *RD*
FROM: DAWN LANG, MANAGEMENT SERVICES DIRECTOR *DL*
SUBJECT: RESOLUTION NO. 4725 APPROVING AND AUTHORIZING THE MAYOR TO EXECUTE ADDENDUM #2 TO THE AGREEMENT BETWEEN THE CITY OF CHANDLER AND PFM ASSET MANAGEMENT, L.L.C.

RECOMMENDATION

Staff recommends adoption of Resolution No. 4725 approving and authorizing the Mayor to execute Addendum #2 to the Agreement between the City of Chandler and PFM Asset Management, L.L.C. for investment services relating to the Workers Compensation and Employers Liability Trust.

DISCUSSION

The City appointed Trustees for the Chandler Workers Compensation and Employers Liability Trust (“Workers Compensation Trust”), and the Workers Compensation Trust Board has authorized the Management Services Director and the Director of Human Resources to oversee the management and administration of the Trust. Additionally, the Workers Compensation Trust Board authorized the Management Services Director to invest Workers Compensation Trust funds through the use of services by one of the City’s investment management firms, following the City’s investment policy.

PFM Asset Management, L.L.C. has been providing investment management services to the Trust since the Board’s inception earlier this year. This addendum 2 to the investment management agreement between the City and PFM Asset Management, L.L.C. authorizes the provision of investment management services to the Workers Compensation Trust.

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PROPOSED MOTION

Move to adopt Resolution No. 4725 approving and authorizing the Mayor to execute Addendum #2 to the Agreement between the City of Chandler and PFM Asset Management, L.L.C. for investment services relating to the Workers Compensation and Employers Liability Trust funds.

Attachment: Resolution No. 4725
Addendum 2

c: Pat McDermott, Assistant City Manager
Marsha Reed, Assistant City Manager

RESOLUTION NO. 4725

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA, APPROVING AND AUTHORIZING THE MAYOR TO EXECUTE ADDENDUM 2 TO THE 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. (the “Company”) have negotiated the terms of an agreement between the parties for investment management services, approved pursuant to Resolution 4568; Addendum One (1), approved pursuant to Resolution 4569.

WHEREAS, on December 12, 2012, approved pursuant to Ordinance No. 4415, the City established the Chandler Workers Compensation and Employers Liability Trust (“Workers Compensation 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 Workers Compensation and Employers Liability Trust Board (the “Workers Compensation Trust 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 Workers Compensation Trust Board has through its Resolution Nos. 4568 and 4569 authorized City Staff to place certain funds with an Investment Manager, as that term is defined in the Investment Management Agreement w/ the Company and/or the Chandler Workers Compensation and Employers Liability Trust, provided that the Investment Manager agrees in a writing directed to the Workers Compensation Trust Board (a) to act in the same manner and with the obligations and limitations as would apply to the Workers Compensation Trust Board under the Workers Compensation Trust Agreement and (b) to provide investment reports to the Workers Compensation Trust Board no less than quarterly and as may be reasonably requested by the Chairperson of the Workers Compensation Trust Board; and

WHEREAS, it is necessary for the City, the Workers Compensation Trust and the Company to enter into Addendum Two (2) an agreement specifying the terms under which the Company shall provide investment management services to the Workers Compensation 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 2 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.

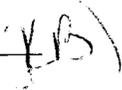
APPROVED, PASSED AND ADOPTED by the City Council of the City of Chandler, Arizona this ____ day of December, 2013.

ATTEST:

CITY CLERK

MAYOR

APPROVED AS TO FORM:

CITY ATTORNEY 

CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Resolution No.4725 was duly passed and adopted by the City Council of the City of Chandler, Arizona at a regular meeting held on the 7th day of November, 2013, and that a quorum was present thereat.

City Clerk

**ADDENDUM NUMBER TWO (2) TO
AGREEMENT BETWEEN THE CITY OF
CHANDLER AND PFM ASSET MANAGEMENT, L.L.C.**

THIS ADDENDUM NUMBER TWO is made as of _____, 2013 (the "Addendum 2") by and between the **CITY OF CHANDLER, ARIZONA**, a municipal corporation organized and existing under the laws of the State of Arizona (the "City"), the **CHANDLER WORKERS COMPENSATION AND EMPLOYERS LIABILITY 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, L.L.C.**, Delaware Limited Liability Corporation, (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 Agreement was amended January 31, 2013 to add *Chandler Health Care Benefits Trust Fund* (the "Trust Fund")

C. The City established the **CHANDLER WORKERS COMPENSATION AND EMPLOYERS LIABILITY TRUST FUND** (the "Workers Compensation Trust Fund"), through Ordinance No. 4415, passed and adopted on December 13, 2012 (the "Ordinance"), and the City also approved the **CHANDLER WORKERS COMPENSATION AND EMPLOYERS LIABILITY TRUST FUND Agreement** through Resolution No. 4658, passed and adopted on January 24, 2013, and executed and dated as of January 24, 2013 (the "Workers Compensation Trust Agreement").

C. Subsequently, the City duly appointed Trustees for the Workers Compensation Trust Fund. The Trustees are collectively known as the Workers Compensation and Employers Liability Trust Board (the "Workers Compensation Trust Board").

D. The Workers Compensation Trust 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 in order to accept contributions to the Trust, make payments by the Trust, and invest Trust funds through the Agreement Between the City of Chandler and PFM Asset Management L.L. C.

NOW THEREFORE, in consideration of the recitals and the mutual promises hereinafter set forth, the City 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 Workers Compensation Trust Fund (the "Workers Compensation Trust Accounts"). City staff shall identify the specific Trust Accounts for which the Company shall provide Investment Management pursuant to the requirements of Ordinance No. 4415, the Trust Agreement, and this Addendum.
3. **Agreement to Act in Same Manner as Trust Board and to Provide Investment Reports.** 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 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 Workers Compensation Trust Accounts.
 - (a) **Separation.** The Company shall ensure that Workers Compensation 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 Workers Compensation Trust Accounts.
 - (c) **Authority.** The Company acknowledges that the Workers Compensation Trust Board has delegated authority to City Staff concerning the Accounts. Upon written notice from the Board that the Board has revoked such authority, the Company shall take direction concerning the Accounts from the Workers Compensation Trust Board or its new delegee. In such an event, the Company and the Workers Compensation Trust 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 Workers Compensation Trust Accounts as exempt from taxation. Where applicable and relevant, the Company's records and reporting shall reflect the Workers Compensation 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 (KB)

PFM ASSET MANAGEMENT, L.L.C.,
A Delaware limited liability company

By: [Signature]

Its: Managing Director

ATTEST (if corporation)

Secretary

See Attached

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

State of California

County of San Francisco

On 12/3/13 before me, Diane Kennon, Notary
Date Here Insert Name and Title of the Officer

personally appeared Leuren Brent
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

Signature: [Handwritten Signature]
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: Addendum Number two (2)

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____ Signer's Name: _____

Corporate Officer — Title(s): _____ Corporate Officer — Title(s): _____

Individual Partner — Limited General Individual Partner — Limited General

Attorney in Fact Attorney in Fact

Trustee Trustee

Guardian or Conservator Guardian or Conservator

Other: _____ Other: _____

Signer Is Representing: _____ Signer Is Representing: _____