



---

# **Request for Proposals - Investment Advisory Services**

*for the  
North Davis Sewer District*

**June 2019**

---

**North Davis Sewer District**  
**REQUEST FOR PROPOSALS**  
**Investment Advisory Services**  
**June 17, 2019**

The North Davis Sewer District (District) is soliciting proposals from investment advisory firms for portfolio management services. Investment practices and procedures must comply with the Utah Money Management Act and the District's written investment policy. The investment advisory firm will be expected to perform to the Prudent Expert Standard.

Respondents to this Request For Proposals (RFP) can be submitted by email to Angela Lupcho [alupcho@ndsd.org](mailto:alupcho@ndsd.org) Proposals can also be mailed to:

**North Davis Sewer District**  
**Attn: Angela Lupcho,**  
**4252 West 2200 South,**  
**Syracuse, UT 84075, USA**

Proposals must be received by 3:00 PM on Friday, June 28, 2019

Proposals become part of the official District files and will not be returned to the respondents. Inquiries concerning this RFP should be addressed via email to:

Angela Lupcho  
4252 West 2200 South  
Syracuse, UT 84075  
[alupcho@ndsd.org](mailto:alupcho@ndsd.org)

## Table of Contents

I.	Schedule of Events .....	1
II.	Background .....	1
III.	Purpose .....	2
IV.	Scope .....	2
V.	Proposal Submission Requirements and Response Format .....	2
VI.	Selection Process .....	3
VII.	General Information .....	4
VIII.	Attachments	

## **I. Schedule of Events**

The District will make efforts to adhere to the following schedule:

<b>Event</b>	<b>Date</b>
RFP Release Date	June 17, 2019
Proposal Due Date	June 28, 2019
Anticipated Contract Award	July 11, 2019

## **II. Background**

The District is soliciting proposals from investment advisory firms for portfolio management services.

Day-to-day administration of investments is not currently handled by an investment advisor. The District's current portfolio is approximately \$70 million in operating and capital funds (non-pension funds).

The District is a wastewater collection and treatment agency designated as a Local District under Title 17B of the Utah Code. Its stated goal is to "Operate and maintain wastewater collection and treatment facilities to exceed regulatory requirements; serve the public with integrity and skill; develop, challenge, and reward an outstanding work team; and foster a commitment to excellence, value, continuous improvement, and pride in the operation of all aspects of the District's facilities with a goal of creating and sustaining a world class operation."

The District collects and treats wastewater from approximately 80 square miles with a population of about 220,000. The District is made up of the cities of Clearfield, Clinton, Layton, Roy, Sunset, Syracuse, West Point, and a small area of Kaysville, Hill Air Force Base, and areas of unincorporated Davis and Weber counties. The District serves the area extending north to south from Roy to Kaysville, and east to west from the Wasatch Mountains to the Great Salt Lake.

### **III. Purpose**

The District is seeking proposals from qualified firms to:

- Provide investment services in a comprehensive manner to handle the day-to-day administration of the District's investment portfolio; and
- Provide investment advisory services to help govern the District's investment portfolio, currently valued at approximately \$70 million.

The RFP does not obligate the District to award a contract or complete the project, and the District reserves the right to cancel the solicitation if it is considered to be in its best interest.

### **IV. Scope**

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

- Assist the District with maturity analysis
- Provide credit analysis of investment instruments in portfolio
- Provide monthly/quarterly/annual reporting on all District entity funds
- Evaluate market risk and develop strategies that minimize the impact on the portfolio
- Provide assurance of portfolio compliance with applicable policies: including the Utah Money Management Act and the District's Investment Policy, attached hereto as Attachment A.
- Establish an appropriate performance benchmark
- Indicate full understanding of Investment Policy
- Ensure portfolio structure matches the District's objectives
- Assist in setting up Custodial and other banking accounts and services as needed

### **V. Proposal Submission Requirements and Response Format**

The registered investment advisor is responsible for preparing an effective, clear, and concise proposal. In order to be considered for selection, vendors must submit a complete response to

this RFP that includes the mandatory information and/or requirements as presented in the RFP, attached hereto as Attachment B. Responses must be in the same order as the questions presented, stating acceptance of, modifications or additions to, or a statement of the inability to provide, said service. Failure to provide any of the information requested below may be cause for the proposal to be rejected.

An RFP cover letter must be included, introducing the Firm and the individual who will be the primary contact person.

## **VI. Selection Process**

In Accordance with the goals of the District, the following criteria will be used as the weighting basis for evaluation of the proposals and the award recommendation:

- Understanding of the District's overall investment program, investment objectives and unique constraints
- Experience, resources, and qualifications of the firm and individuals assigned to this account
- Experience of the firm in managing government/special district portfolios. In evaluating the firm's experience, past performance data will be evaluated in the context of portfolio objectives and constraints, as well as risks
- Recommended approach to management of the portfolio
- Fees

The respondents' understanding of the scope of services required includes the demonstrated abilities to coordinate delivery of the services and understanding of the needs and operational requirements of the District.

The District will select the firm submitting the best and most responsive overall proposal to satisfy its needs and serve its best interests. Therefore, the award may not be made to the respondent submitting the lowest price proposal. After the submittals are evaluated

and ranked, the District, at its sole discretion, may elect to interview one or more respondents. Please note that respondents may be asked to submit additional documentation. In addition, the District reserves the right to select a proposal without conducting interviews.

Questions concerning this request should be made via email, or phone, and directed to:

Angela Lupcho  
4252 West 2200 South  
Syracuse, UT 84075  
[alupcho@NDSO.org](mailto:alupcho@NDSO.org)

Proposals must be received by **3:00 PM on Friday, June 28, 2019.**

## **VII. General Information**

The District reserves the right to reject any or all proposals and will not be liable for any costs incurred by responding firms relating to the preparation and submittal of proposals, negotiating a contract for services, or any other expense incurred by the respondent prior to the date of an executed contract. In addition, no respondent shall include any such expenses as part of the price proposed to conduct the scope of work for this project. The following conditions will apply:

- The District reserves the right to expand or diminish the scope of the work subject to negotiation with the successful respondent.
- The District is not required to select the proposal that may indicate the lowest price or costs. The District expressly reserves the right to reject all proposals at its sole discretion and opinion, without indicating any reason(s) for such rejection. If all proposals are rejected, the District may or may not request additional proposals. The District may withdraw this RFP at any time without advance notice.
- The successful firm shall submit appropriate evidence of required insurance coverage, licenses, or permits prior to the effectuation of any contract for services described herein, as required by the District.

- The successful firm shall not transfer the responsibility for any part of their contractual obligation without prior written approval of the District Manager of the District
- The District reserves the right to terminate the agreement upon giving the successful firm a 30 day written notice of termination.
- In the event it becomes necessary to revise any part of this RFP, addenda will be provided in writing to all consultants receiving the RFP from the District.

Thank you very much for taking your valuable time to respond to this RFP.

### **VIII. Attachments**

A - District's Investment Policy

B - Request for Proposals Required Information

**ATTACHMENT A**  
**DISTRICT'S INVESTMENT POLICY**

**ATTACHMENT A**  
**DISTRICT'S INVESTMENT POLICY**

**CHAPTER 9a**

**INVESTMENT POLICY**

- 5-9a-1 Scope and Purpose
- 5-9a-2 Definitions
- 5-9a-3 Investment Requirements
- 5-9a-4 Controls
- 5-9a-5 Investment Advisors and / or Brokers
- 5-9a-6 Safekeeping

**5-9a-1 SCOPE AND PURPOSE**

1. Scope: This policy establishes an effective delineation of responsibilities and internal controls for the safekeeping and investment of District monies.

2. Purpose: The purpose of the Investment Policy is to establish guidance from the Board of Trustees on how funds are held and invested by the District. All funds of the District shall be categorized and defined as either "Operating Funds," "Reserve Funds" or "Construction Funds."

3. Prudence: In accordance with the Prudent Person Rule of the Utah Money Management Act (Utah Code 51-7-14 (1) (a) which states: Investments shall be made with the exercise of that judgement and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

4. Conflicts of Interest and Ethics: All officers and employees of the District that engage in financial transactions shall act in accordance with the highest ideals of honor, integrity and ethics. Officers and employees shall act in strict accordance with State Statutes governing ethics and conflicts of interest with the District's investment program and requires the disclosure of any

financial interest employees and officers may have in the financial institutions the District is working with or instruments the District is investing in.

### **5-9a-2 DEFINITIONS**

The following Definitions are adopted in connection with the Investment Policy:

**Operating Funds** - Funds to be used to operate the District over the next twelve (12) month period.

**Reserve Funds** - Funds that are being held as outlined in the Reserve Policy of the District.

**Construction Funds** - Funds that are to be used to expand the District plant or the collection system.

### **5-9a-3 INVESTMENT REQUIREMENTS**

1. All funds of the District are to be invested in accordance and in compliance with the "State Money Management Act."

2. All funds of the District shall be invested to meet the following objectives when depositing and investing funds:

A. **Safety of Principal:** safety of principal is the foremost objective. Investments shall be undertaken to ensure the preservation of capital in the overall portfolio.

B. **Need for liquidity:** investment portfolio shall remain sufficiently liquid to meet all operating requirements that can be reasonably anticipated.

C. **Yield on investments:** return on investments is of secondary importance to safety and liquidity.

D. **Funds shall not be invested longer than the anticipated date of need for expenditure of funds.**

E. Investment of Operating Funds shall be invested in short-term investments that match the need for use of the funds. Examples of types of investments would be the PTIF and short-term certificates of deposits.

F. Reserve Funds shall be invested based on the anticipated date of need and in investments that are liquid in nature. The time frame for investment of these funds may be longer than the investment of Operating Funds.

G. Construction Funds shall be invested based on the anticipated date of need for use of such funds. For example, if the funds will be needed in three (3) years the funds could be invested in a security maturing in three (3) years.

#### **5-9a-4 CONTROLS**

1. Allowable Investments: All investments shall be in accordance with the Utah Money Management Act. Credit Ratings for the purchase of any security must have a minimum of single A- or its equivalent or better by two or more public rating agencies at the time of purchase. Short term credit ratings for commercial paper must be top tier A1/P1/F1 by two of the three credit rating agencies at the time of purchase.

2. Prohibited Investments: In no event shall funds be invested in any type of equity security. No investments shall be made that do not comply with the State Money Management Act.

3. Diversification: The District will diversify its investments to avoid risks in specific instruments, individual financial institutions or maturities. The current diversification is as follows:

INVESTMENT INSTRUMENT	MAXIMUM IN ANY SINGLE ISSUER**
T-bills	100%
T-Notes	100%
Corporate Bonds	10%/5%
U.S. Government Agency Securities	100%
Federal Farm Credit Bank (FFCB)	50%
Federal Home Loan Bank (FHLB)	50%
Federal Home Loan Mortgage Corporation (FHLMC)	50%
Federal National Mortgage Association (FNMA)	50%
Other Obligations (revenue bonds of any City, city, or any taxing district of the State of Utah)	10%
Certificates of Deposit in Utah State Depositories	FDIC limit
Commercial Paper	10%/5%

\*\* No single issuer or guarantor (other than the United States Treasury and Federal Agencies) may represent more than the percentage listed in this table at the time of purchase of the total value of holdings of each cash manager's portfolio.

\*\*Portfolios of \$10,000,000 or less may not invest more than 10% of the total portfolio with a single corporate issuer.

\*\*Portfolios of \$10,000,000 or more may not invest more than 5% of the total portfolio in a single corporate issuer.

4. Guidelines for Deposits with Financial Institutions: The maximum unsecured deposits invested with any one Utah bank shall be limited to 5% of that bank's capital and deposit base.

5. Maturity Schedule: Investment maturities for operating funds (short term funds) will be scheduled to coincide with projected cash flow needs, taking into account routine expenditures as well as anticipated revenue. Maximum Maturity for any single issuer will follow the Utah Money Management Act guidelines. For U.S. Government Treasuries and Agencies, the maximum allowed maturity is 5 years, 15 months for fixed rate corporate bonds, and three (3) years for floating rate corporate bonds from date of purchase or in accordance with state and local statutes.

6. Reporting: An annual investment report shall be prepared that will include the following:

- A. Listing of all securities held.
- B. Average yield to maturity for the investment portfolio.
- C. Listing of investments by maturity date.
- D. Percentage of total portfolio that each investment represents.

#### **5-9a-5 INVESTMENT ADVISORS AND / OR BROKERS**

1. Investment advisors and brokers used by the District shall be chosen only from those listed on, and approved by, the Utah Money Management Council's Certified Dealer List or Certified Listing of investments by maturity date.

- 2. Percentage of total portfolio that each investment represents.
- 3. Investment Advisor List:

#### **5-9a-6 SAFEKEEPING**

All investments must be held in custody/safe keep by a bank or trust company with minimum credit ratings as required by the Utah Money Management Act.

**ATTACHMENT B**  
**REQUEST FOR PROPOSALS REQUIRED INFORMATION**

**ATTACHMENT B**  
**REQUEST FOR PROPOSALS REQUIRED INFORMATION**

**I. Please Provide a Cover Letter**

**II. Information About Your Firm**

- (1) Ownership of your company (Form of Business with Principals)
- (2) Size of firm
- (3) Firm classification (Bank, Registered Investment Advisor, etc.)
- (4) Location of the office
- (5) Number of years in business
- (6) Mandatory criteria re: meeting the requirements of the Utah State Money Management Act (Utah Code Annotated 51-7 Sections 51-7-3(3), 51-7-18(2)(b)(vi) and (vii) and 51-7-11.5 along with the Rules of the State Money Management Council;
- (7) Total number of local government clients
- (8) Related organizations (e.g. parent company, affiliates):

**III. Information About Your Proposed Project Team and Investment Approach**

Please provide information that will enable us to evaluate your proposed investment team and staff resources. We require that you include the following:

- (1) Provide contact information and professional qualifications for the individuals who would have primary responsibility for the District's accounts.
- (2) Describe experience with local government entities similar to North Davis Sewer District.

#### **IV. Approach to Client Service**

- (1) List the scope of services that will be provided. Include a description of how client servicing/communication responsibilities are divided between portfolio managers and client service/marketing personnel and how often meetings are held with clients to review the portfolio.
- (2) Describe the client-reporting process. How frequently are reports made available? What output formats are available? Include sample reports for examination.

#### **V. Compliance**

- (1) Describe the compliance assessment process for your firm, including the time period covered, testing methods, and frequency.
- (2) When was the last compliance assessment? Please attach a summary of the report, if possible.
- (3) To whom does the chief compliance officer report?
- (4) Please provide a copy of the registration forms you have provided to your local regulator.
- (5) When was your firm's last regulatory inspection? Please provide a copy of the inspection report.
- (6) Has any regulatory body or market authority issued any orders or other sanctions against your firm in the last five years? If yes, please describe.
- (7) Is your firm or any affiliate the focus of any pending or ongoing litigation, formal investigation, or administrative proceedings related to money management activities? If yes, please describe.
- (8) Has your firm, or the principals of your firm, been under investigation related to money management activities in the last five years? If yes, please explain.

## **VI. Governance**

- (1) Provide a summary of your firm's internal control structure.
- (2) Describe any potential conflicts of interest your firm may have in the management of this account.
- (3) How would conflicts of interest be addressed by your firm?

## **VII. Investment Philosophy and Process**

- (1) Briefly describe your firm's investment philosophy.
- (2) Discuss your firm's investment strategy, screening processes, and portfolio construction methodology.
- (3) How do you decide to buy or sell a security?
- (4) Are portfolios managed by individual managers or teams?
- (5) How frequently are investment policy or strategy meetings held?
- (6) Describe how your firm controls portfolio investment risk.
- (7) How does your firm currently measure/track risk?

## **VIII. Client References**

Please provide a list of **at least three (3)** municipal customers of your company who have retained your services. For each customer reference, include contact names, phone numbers, and email addresses.

## **IX. Fees and Charges for Services**

Please list your fee schedule covering all services to be provided. Please include performance-based fees, the basis for those fees, and any other fees that may be applicable to the running of this account. Include the following:

- (1) What is the minimum account your firm will accept?

- (2) Does your firm charge a minimum annual fee? If so, what is this fee? Will it stay the same or change in the future based on some set formula?
- (3) Under what circumstances are fees negotiable?
- (4) What is your billing frequency?