

PROCUREMENT SUMMARY

FIXED INCOME MANAGEMENT SERVICES FOR THE OPERATING PORTFOLIO /
PS41161A, PS41161B, PS41161C, PS41161D

1.	Contract Number: PS41161A; PS41161B; PS41161C; PS41161D	
2.	Recommended Vendors: A. Chandler Asset Management, Inc. B. LM Capital Group, LLC C. RBC-Global Asset Management (U.S.) Inc. D. US Bancorp Asset Management, Inc.	
3.	Type of Procurement (check one): <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	Procurement Dates:	
	A. Issued: June 7, 2017	
	B. Advertised/Publicized: May 31, 2017	
	C. Pre-Proposal Conference: N/A	
	D. Proposals Due: July 17, 2017	
	E. Pre-Qualification Completed: September 25, 2017	
	F. Conflict of Interest Form Submitted to Ethics: September 25, 2017	
	G. Protest Period End Date: October 21, 2017	
5.	Solicitations Picked up/Downloaded: 22	Bids/Proposals Received: 8
6.	Contract Administrator: James A. Nolan	Telephone Number: 213-922-7312
7.	Project Manager: Marshall Liu	Telephone Number: 213-922-4285

A. Procurement Background

This Board Action is to approve four, five-year Contract Nos. PS41161A, PS41161B, PS41161C, and PS41161D issued to provide fixed income investment management services for Metro's Operating Fund Portfolios that are administered by the Treasury Department. The goal in the selection of firms was to maximize the value of the total operating portfolio by considering the blending of investment managers' styles to maximize strategic diversification. Board approval of contract awards are subject to resolution of any properly submitted protest.

The RFP was issued June 7, 2017, in accordance with Metro's Acquisition Policy and the contract types are Fixed Fee. A detailed Questionnaire was utilized to ascertain Proposers' qualifications and applicable experience in providing Fixed Income Investment Management Services of the type required by Metro.

No amendments were issued during the solicitation phase of this RFP.

A total of eight proposals were received on July 17, 2017, and are listed in alphabetical order as follows:

1. Chandler Asset Management, Inc.
2. Garcia Hamilton & Associates, LP

3. LM Capital Group, LLC
4. RBC Global Asset Management (U.S.) Inc.
5. Reams Asset Management (Div. of Scout Investments)
6. Standish Mellon Asset Management Company LLC
7. US Bancorp Asset Management, Inc.
8. Western Asset Management Company

B. Evaluation of Proposals

A Proposal Evaluation Team (PET) consisting of staff from Metro’s Treasury Department and an outside consultant was convened and conducted a comprehensive technical evaluation of the proposals received. The proposals were first evaluated according to minimum qualifications contained in the RFP. Two proposers were eliminated from further consideration because one declined to provide required reference information and the other firm did not meet the minimum qualifications regarding California government code clients.

The remaining six proposals were evaluated based on the following evaluation criteria and weights:

- | | |
|--|------------|
| • Organization | 15 percent |
| • Qualifications of Firm and Key Personnel/Related Experience | 20 percent |
| • Investment Philosophy and Process for Managing LACMTA’s Investment Portfolio | 25 percent |
| • Proposed Fee Structure | 20 percent |
| • Compatibility and/or Comparability of Proposer’s Relation to the Total Operation Portfolio | 20 percent |

The evaluation criteria are appropriate and consistent with criteria developed for other, similar Treasury procurements. Several factors were considered when developing these weights, giving the greatest importance to investment philosophy and process for managing LACMTA’s investment portfolio.

The six responsive proposals firms are listed below ranked in descending order:

1. Chandler Asset Management, Inc.
2. LM Capital Group, LLC
3. RBC Global Asset Management (US) Inc.
4. U.S. Bancorp Asset Management, Inc.
5. Western Asset Management Company
6. Standish Mellon Asset Management Company LLC

During the week(s) of August 1, through September 11, 2017, the PET met and evaluated the firms in accordance with the applicable evaluation criteria. The PET's recommendation is to award multiple, i.e. four, contracts to the highest rated firms.

1	Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	Chandler Asset Management				
3	Organization	100.00	15.00%	15.00	
4	Qualifications of Firm and Key Personnel/Related Experience	96.66	20.00%	19.33	
5	Investment Philosophy and Process for Managing LACMTA's Investment Portfolio	97.33	25.00%	24.33	
6	Proposed Fee Structure	100.00	20.00%	20.00	
7	Compatibility and/or Comparability Of Proposer's Relation to the Total Operation Portfolio	96.66	20.00%	19.33	
8	Total		100.00%	97.99	1
9	LM Capital Management, LLC				
10	Organization	97.66	15.00%	14.65	
11	Qualifications of Firm and Key Personnel/Related Experience	96.66	20.00%	19.33	
12	Investment Philosophy and Process for Managing LACMTA's Investment Portfolio	95.66	25.00%	23.92	
13	Proposed Fee Structure	85.00	20.00%	17.00	
14	Compatibility and/or Comparability Of Proposer's Relation to the Total Operation Portfolio	96.66	20.00%	19.33	
15	Total		100.00%	94.23	2
16	RBC Global Asset Management				
17	Organization	97.66	15.00%	14.65	
18	Qualifications of Firm and Key Personnel/Related Experience	95.00	20.00%	19.00	
19	Investment Philosophy and Process for Managing LACMTA's Investment Portfolio	89.66	25.00%	22.41	
20	Proposed Fee Structure	95.00	20.00%	19.00	
21	Compatibility and/or Comparability Of Proposer's Relation to the Total Operation Portfolio	88.33	20.00%	17.67	
22	Total		100.00%	92.73	3
23	U.S. Bancorp Asset Management, Inc.				

24	Organization	95.66	15.00%	14.35	
25	Qualifications of Firm and Key Personnel/Related Experience	95.00	20.00%	19.00	
26	Investment Philosophy and Process for Managing LACMTA's Investment Portfolio	79.33	25.00%	19.83	
27	Proposed Fee Structure	90.00	20.00%	18.00	
28	Compatibility and/or Comparability Of Proposer's Relation to the Total Operation Portfolio	91.66	20.00%	18.33	
29	Total		100.00%	89.51	4
30	Western Asset Management Company				
31	Organization	76.66	15.00%	11.50	
32	Qualifications of Firm and Key Personnel/Related Experience	76.66	20.00%	15.33	
33	Investment Philosophy and Process for Managing LACMTA's Investment Portfolio	70.00	25.00%	17.50	
34	Proposed Fee Structure	80.00	20.00%	16.00	
35	Compatibility and/or Comparability Of Proposer's Relation to the Total Operation Portfolio	61.66	20.00%	12.33	
36	Total		100.00%	72.66	5
37	Standish Mellon Asset Management Company				
38	Organization	89.66	15.00%	13.45	
39	Qualifications of Firm and Key Personnel/Related Experience	68.33	20.00%	13.67	
40	Investment Philosophy and Process for Managing LACMTA's Investment Portfolio	52.66	25.00%	13.16	
41	Proposed Fee Structure	100.00	20.00%	20.00	
42	Compatibility and/or Comparability Of Proposer's Relation to the Total Operation Portfolio	56.66	20.00%	11.33	
43	Total		100.00%	71.61	6

C. Cost/Price Analysis

The recommended price has been determined to be fair and reasonable based upon adequate price competition and price analysis. All four firms proposed a competitive fee structure. Actual fee amounts will fluctuate based on portfolio values.

D. Background on Recommended Contractors

Chandler Asset Management

Chandler Asset Management (Chandler), located in San Diego, California, was founded in 1988 by Catherine (Kay) Chandler. They are a 100% employee owned firm with approximately 127 public sector clients managing approximately \$10 billion in short duration fixed income or intermediate duration fixed income portfolios. The firm's investment philosophy is to select securities in sectors that are poised to outperform the market and avoid those they expect will underperform. Chandler achieves this goal with macro-economic analysis and securities research that leads to their selection of high quality issuers.

As of March 31, 2017, Chandler had 133 public clients with \$10.2 billion in Assets Under Management (AUM) and 42 private clients with \$2.8 billion in AUM.

LM Capital Group, LLC

LM Capital Group (LM) was founded in 1989 by Luis Maizel and John Chalker. The firm is an employee owned minority business located in San Diego, CA that provides fixed income investment management services. LM has successfully managed the operating portfolio of Metro since 1990. Today, LM employs 17 investment professionals that manage approximately \$4.7 billion of assets for 22 public sector clients. Their investment style is top-down macro-economic analysis with a focus on duration management. Their economic research identifies global trends based on the worldwide flow of funds. From that analysis, they choose issuers and sectors that are primed for superior performance. Their selection is based on investment metrics such as average maturity, duration, and allocation to sectors permitted by investment policy.

As of 2016, LM Capital had 22 public clients with \$4.7 billion in AUM and 6 private clients with \$274.3 million in AUM.

RBC Global Asset Management (US) Inc.

RBC Global Asset Management (US) Inc. (RBC), is the US subsidiary of the ultimate parent company Royal Bank of Canada founded in 1869 that currently employs over 80,000 full and part time employees worldwide. As of December 31, 2016, RBC has 74 public sector clients with \$9.6 billion of AUM, and 150 private sector clients with \$30.7 billion of AUM. Their investment philosophy is to employ fundamental investment processes to construct diversified, customizable portfolios of high quality fixed income securities that deliver consistent excess returns with low volatility. Their

bottom-up, fundamental process is combined with robust, top-down risk management tools designed to meet the objectives of principal preservation, liquidity and consistent excess returns over the long term. RBC's approach is to diversify portfolio income sources from high quality issuers in undervalued sectors.

US Bancorp Asset Management, Inc.

US Bancorp Asset Management (USBAM) is a wholly owned subsidiary of parent company US Bank National Association. USBAM was formed in 2001 with the merger of First American Asset Management and Firststar Investment Management Company. They have approximately 92 investment professionals managing \$4 billion in assets for 14 public sector clients, and \$64 billion in assets for 44 private sector clients, respectively. Their investment philosophy focuses on generating superior returns over time with active management of yield curves. They also consider duration management, sector diversification as well as security selection. This successful process is further enhanced with strong risk management and operation controls. They adapt their strategy to the best risk-adjusted return opportunities available. As of March 31,2017, US Bancorp had 14 public clients with \$4.0 billion in AUM and 44 private clients with \$63.7 billion in AUM.

All of the recommended firms are incumbents having satisfactorily provided Metro Treasury Department with these services.