



# Department of Administrative Services Purchasing and Contracts

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Sabra Smith Newby, Chief Administrative Officer  
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CLARK COUNTY, NEVADA  
RFP NO. 603046 -13

CONTRACT FOR INSTITUTIONAL FIXED INCOME CASH AND INVESTMENT MANAGER; OPTIONAL SEPARATE CORPORATE BOND PORTFOLIO INVESTMENT MANAGER; OPTIONAL SEPARATE MORTGAGE-BACKED SECURITIES AND ASSET-BACKED SECURITIES PORTFOLIO INVESTMENT MANAGER

August 30, 2013

## ADDENDUM NO. 1

### REQUEST FOR PROPOSAL

1. The RFP opening date of September 13, 2013 at 3:00:00 p.m. **remains unchanged.**

### ADDITIONAL INFORMATION

2. Addendum No. 2 will be forthcoming to address additional Questions which were received, but not identified herein.

### QUESTIONS AND ANSWERS

- Q1. In addition to the general portfolio guidelines provided on the County's website, will there be separate sub-portfolio guidelines for the institutional fixed income cash management, corporate bond, and the mortgage-backed securities and asset-backed securities portfolios?
- A1: **Yes. Guidelines are reevaluated from time to time. TREASURER will review these with successful Cash and Investment Manager.**
- Q2: Will bond indentures limit the investable universe for any of the County's investment portfolios? If so, please could you provide information regarding, or a summary of such limitations?
- A2: **NRS (Nevada Revised Statutes) 350 provides the authorized investments for bond proceeds and subject to further limitation by bond indentures or ordinances.**
- Q3: What is the target duration for each of the respective portfolios?
- A3: **The Investment Pool and Water Reclamation District portfolios have target durations of 1.5 to 2.5**
- Q4: Is there a preference for active versus passive management of the Corporate Bond portfolio and the MBS/ABS portfolio?
- A4: **Preference is moderately active.**
- Q5: Are there preferred benchmarks associated with the Corporate Bond portfolio and the MBS/ABS portfolio?
- A5: **Benchmarks for these portfolios are currently under review.**

- Q6: Exhibit 1 – Scope of Work: "Send trade/transaction information to the Treasurer and Cash and Investment Manager." It is our understanding that the Custodian will perform this function. Please confirm this is correct
- A6: **Corp Bond and MBS/ABS managers send trade/transaction tickets to both Custodian and to Cash and Investment Manager (who scans and e-mails to Treasurer).**
- Q7: Exhibit 1 – Scope of Work: "Send Treasurer brief explanation/justification of buys and sells." Clark County will have a designated servicing team that will be available to answer any questions regarding buys and sells in the portfolios. Will this be sufficient?
- A7: **No, however, a brief explanation written on the trade ticket will suffice.**
- Q8: Exhibit 1 – Scope of Work: "Monitor portfolio's credit exposure and risk, and report material events to the Treasurer". Please define "material" in this context
- A8: **News or information which will probably have an impact on the portfolio. This will be discussed with successful manager.**
- Q9: We are considering submitting a proposal to (1) serve as the Cash and Investment Manager and manage all but the MBS/ABS portfolio, and (2) serve as the Corporate Bond portfolio manager. In other words, if not selected as (1); we would still like to be considered for (2). Is this acceptable? If so, would we submit two separate proposals, or combine into one proposal?
- A9: **You may submit one proposal, but provide two separate fees schedules: 1) Provide a basis point fee schedule to serve as the Cash and Investment Manager for all but MBS/ABS securities; AND 2) Provide a basis point fee schedule to serve as Investment Manager of a separate Corporate Bond portfolio only—managing a portfolio that may range from \$150 million up to \$500 million. PROPOSER shall clearly label each fee schedule accordingly.**
- Q10: What are the fee schedules for each of the current managers?
- A10: **The current fee schedules are as follows: 1) Cash and Investment Manager: FTN Financial Main Street Advisors--0.95 basis points; 2) Corporate Bond Portfolio Manager: Wells Capital Management--9 basis points for first \$100 million; 8 basis points for balance of portfolio; minimum annual fee of \$75,000; 3) MBS/ABS Portfolio Manager: Atlanta Capital Management: 10.85 basis points for first \$100 million; 8.5 basis points for over \$100 million.**
- Q11: Will the incumbent managers be permitted to bid?
- A11: **Yes.**
- Q12: May we see a copy of the "Funding Requirement Report" to be sent to the Treasurer daily, as mentioned in Exhibit 1, Scope of Work, Page 1-1?
- A12: **A template of the current daily Funding Report is attached hereto.**
- Q13: May we see a copy of the Weekly economic and market update report also mentioned on Page 1-1 of Exhibit 1?
- A13: **County is interested in seeing what Proposers offer their clients.**
- Q13: Would you consider investment management services only for the \$400M Cash Management Portfolio?
- A13: **No.**
- Q14: Do the separate portfolio each maintain separate investment guidelines or does the Clark Country Investment Policy cover all portfolios?
- A14: **Nevada Revised Statutes (NRS) and the County Investment Policy cover all portfolios. Additional guidelines deemed appropriate for each portfolio will be discussed with successful manager(s).**

Q15: Does the Investment Manager determine allocation on corporate notes and ABS exposure?  
A15: **Allocation will be evaluated by TREASURER and Cash and Investment Manager, and guidelines will communicated to applicable separate manager(s).**

Q16: Would the County consider modifying its restrictions on corporate securities to increase the allocation to corporate debt and to include foreign companies that issue debt in the US to enhance diversification of issuers?

A16: **Allocation to corporate bonds will be increased, but will remain in compliance with Nevada Revised Statutes.**

Q17: Is the Weight Average Duration (WAD) of the pool(s) determined by the County's liabilities or a weighting of the stated investment objectives?

A17: **Both are taken into account.**

Q18: In view of the current market conditions, is the Treasurer seeking to reduce the pool(s) WAD?

A18: **The County's Investment Policy sets the not-to-exceed limit for WAD. Guidelines provide for shorter WAD when determined appropriate.**

Q19: Are the evaluation criteria weighted?

A19: **The evaluation criteria will be weighted.**

Q20: Under Exhibit 1, Scope of Work there is some information requested via reports that we consider proprietary information. Is the selected manager required to provide all of the information listed?

A20: **Yes. But due to the vagueness of the questions it's hard to respond accordingly as the specific report in question has not been identified.**

Q21: Structure of Funds/Trusts: Per page 2 of the RFP, please confirm that each of the sub accounts under 'Various County Bond Funds', 'McCarran Airport Bond Funds', 'Tax Receiver' and 'Water Reclamation District' are unique separate custodial accounts and not pooled for investment purposes. As described in the RFP, this would equate to approximately 100 unique custodial accounts in aggregate, not including the four accounts defined as the 'Investment Pool'.

A21: **This is correct.**

Q22: Structure of Funds/Trusts: Per page 2 of the RFP, please confirm that each of the sub accounts under 'Various County Bond Funds', 'McCarran Airport Bond Funds', 'Tax Receiver' and 'Water Reclamation District' can be contracted and negotiated under a single unified contractual agreement with the County.

A22: **These will be managed by the Cash and Investment Manager, and under one contract.**

Q23: Core Investment Pool Sub Portfolio: Please elaborate on the investment goals and liabilities of the Core investment portfolio. We are assuming that this would include a variety of short, intermediate and potentially long term fixed income instruments with a specific risk/return profile at the aggregate portfolio level and a high level of liquidity.

A23: **Goals/Objectives for each of the County's portfolios, including Investment Pool sub-portfolios, are safety of principal overall, maintaining sufficient liquidity to meet operating and applicable bond funding requirements, and earning a market rate of return, while mitigating credit, interest rate, and other investment risks, and within the parameters of Nevada Revised Statutes, County Investment Policy, bond covenants, and Treasurer's direction/guidelines. The Cash Management sub-portfolio provides the primary liquidity to meet the day-to-day regular/anticipated operating expenses. The Core sub-portfolio provides secondary liquidity to match future defined liabilities, invest reserves, and is designed to safely enhance returns.**

Q24: Custody and Trade Confirmations: Please confirm whether the County has an existing custodial relationship in place and, if you are able to disclose, who that custodian is.

A24: **This information is provided in RFP, Exhibit 2--Questionnaire.**

- Q25: Custody and Trade Confirmations: Please confirm whether the County (via the county custodian or other party) manages its own accounting ledger distinct from that of the custodian of the assets (e.g. – is there full 'shadow accounting' by the Treasurer or is the book of record one in the same).
- A25: **The Cash and Investment Manager maintains the investment accounting software application and e-mails daily trade/transaction information (including that for separate external managers) to Treasurer. This information is reconciled to the County's custodian records.**
- Q26: Custody and Trade Confirmations: Per page 2 of the RFP, please confirm whether the Treasurer/County has the capability to process all trade related accounting information (e.g. trade tickets) via an electronic delivery mechanism (e.g. SWIFT or other). If not, how does the Treasurer currently receive daily trade information?
- A26: **See answer A25, above.**
- Q27: Contractual: Given the general nature of the County's standard contract, please confirm the County is willing to negotiate additional Exhibits that would outline, in detail, the terms of the investment management structure and guidelines of the portfolio(s).
- A27: **The County Contract which is contained in the RFP is a sample only. County will negotiate the terms and conditions of the Contract(s) with Proposer(s) as deemed necessary.**
- Q28: Contractual: confirm whether the County would be willing to negotiate (amend the language) of Section XII, E. (Indemnity).
- A28. **No.**
- Q29. Should a manager bid on the total portfolio, will they be excluded from being considered for the other Corporate only and/or ABS/MBS only portfolios? In other words, is the manager able to only submit a proposal for one of the RFP objectives or can they submit for multiple objectives?
- A29: **You may submit one proposal, but provide two separate fees schedules: 1) Provide a basis point fee schedule to serve as the Cash and Investment Manager for the Total Portfolio; AND 2) Provide a basis point fee schedule to serve as Investment Manager of a separate Corporate Bond portfolio only —managing a portfolio that may range from \$150 million up to \$500 million.**
- Q30: Does the Cash and Investment Manager have oversight of other managers or are they acting merely as a coordinator of trading and reporting activities on behalf of the Treasurer?
- A30: **The Cash and Investment Manager interacts with and monitors trade/transactions of other manager(s). This includes asking questions, requesting information, and communicating guidelines/directions established by Treasurer.**
- Q31: Of the \$4.8 billion total portfolio cited, it appears that \$130 million is managed by WellsCap (Corp only) and \$160 million by NVEST (ABS/MBS only). Does FTN Main Street manage \$400 million as the incumbent cash manager, or does it also include the \$2.8 billion cited as core?
- A31: **The current Cash and Investment Manager, FTN Main Street Capital Advisors, directly manages all portfolios (sub-portfolios) excluding the Corporate Bonds and MBS/ABS sub-portfolios of the Investment Pool.**
- Q32: If not managed by FTN Main Street, is the remainder of the \$2.8 billion in assets managed internally by the Treasurer? If so, is this being considered for outsourcing as part of this RFP?
- A32: **See answer A31, above.**

Except as modified herein, all other RFP specifications, terms and conditions shall remain the same.

Should you have any questions, I can be reached at (702) 455-2729 or [chetanc@clarkcountynv.gov](mailto:chetanc@clarkcountynv.gov).

ISSUED BY:

A handwritten signature in black ink, appearing to read 'Chetan Champneri', with a long horizontal flourish extending to the right.

CHETAN CHAMPANERI  
Purchasing Analyst II

Attachment: Daily Funding Report

cc: Laura Fitzpatrick, Treasurer  
Drew Solomon, Treasurer's Office

