



# California Mental Health Services Authority (CalMHSAs)

## Request for Qualifications

### Investment Management Consulting Services

#### 1.0 BACKGROUND AND PURPOSE FOR THE REQUEST FOR QUALIFICATIONS (RFQ)

The California Mental Health Services Authority (CalMHSAs) is an independent administrative and fiscal government agency focused on the efficient delivery of California mental health projects. It was established by California counties in June 2009 as a Joint Powers Authority (JPA). CalMHSAs's member counties work together to develop, fund and implement mental health services, projects and educational programs and implement these services at state, regional and local levels. CalMHSAs is headed by a separate board of member counties and an Executive Committee comprised of officers and statewide regional representatives. It employs the administrative firm of George Hills Company, Inc. and separate legal counsel of Murphy, Campbell, Guthrie & Alliston. CalMHSAs operates within the statutes governing JPA entities and complies with the Brown Act open meeting requirements.

CalMHSAs's member counties, Board of Directors and committees, governing documents, and other information are shown on the CalMHSAs Website ([www.calmhsa.org](http://www.calmhsa.org)).

The size of CalMHSAs's projected investment portfolio is approximately \$80 million. The most recent approved estimated Revenue and Expense Report (Cash Flow Projection) is shown in Exhibit A (page 9).

CalMHSAs desires to contract for Investment Management Consulting Services. The Investment Consultant will be required to oversee management of the funds in accordance with the laws of the State of California and adhere to the Investment Policy to be developed and approved by the Board of Directors. The services to be performed are as follows:

- Assessment of CalMHSAs Investment requirements to include investment objectives, spending or asset to liability policies, time requirements and risk tolerance, liquidity needs, and targeted surpluses and reserves.
- Guidance in the development of the CalMHSAs Investment Policy and Guidelines to include statement of purpose, definition of roles and responsibilities, establish

objectives and goals, develop asset allocation, establish investment guidelines and portfolio limitations, define manager selection procedures, define manager and Board/Finance Committee communications, and define process for performance monitoring and rebalancing.

- Design the Asset Allocation model based on historic analysis and projected future trends. Provide strategic and tactical recommendations based on monthly and quarterly capital markets research.
- Develop the investment manager selection process to achieve qualitative and quantitative performance evaluation criteria.
- On a regular basis, monitor portfolio progress of investment firms and client portfolios and provide performance reports to staff/Board/Finance Committee.
- Continuously review the investment strategy and make recommendations to adjust portfolio. Examples may include termination or replacement of investment managers, new opportunities with investment managers, change in market conditions, and/or propose revisions to investment policy.

**Following selection of the Investment Management Consultant, the consultant and Finance Committee will be responsible for screening and selection of investment managers.**

## **2.0 RFQ TIMELINE**

The following timeline represents CalMHSA's best estimate of the schedule that shall be followed. CalMHSA reserves the right, at its sole discretion, to adjust this schedule, as it deems necessary.

Release of RFQ.....	August 1, 2011
Question Period Ends.....	August 8, 2011
Responses to Questions Posted on <a href="http://www.calmhsa.org">www.calmhsa.org</a> .....	August 10, 2011
Qualifications Due Date and Time.....	5:00 P.M. PDT, August 19, 2011, No Exceptions

## **3.0 RFQ INQUIRIES**

Inquiries regarding this RFQ shall be in written form only. All inquiries must include contact person, address and email address. Responses to all questions will be posted at [www.calmhsa.org](http://www.calmhsa.org) on August 10, 2011. Questions should be submitted by 5:00 P.M PDT on August 8, 2011 to:

Kim Santin  
kim.santin@georgehills.com

#### **4.0 CalMHSa RIGHTS AND RESPONSIBILITIES**

- 4.1 Issuance of this RFQ does not constitute an award commitment on the part of CalMHSa, and CalMHSa shall not pay for costs incurred in the preparation or submission of responses.
- 4.2 CalMHSa has the right to amend the RFQ by written addendum. Should such addendum require additional information not previously requested, failure to address the requirements of such addendum may result in the response package not being considered, as determined in the sole discretion of CalMHSa.

#### **5.0 CalMHSa OPTION TO REJECT RESPONSE PACKAGES**

CalMHSa, at its sole discretion, may reject any or all response packages submitted in response to this solicitation. CalMHSa shall not be liable for any cost incurred by a responder in connection with preparation and submittal of any Response Package.

#### **6.0 SUBMISSION OF RESPONSES**

6.1 Responders shall submit the following package and any related information:

- One (1) original signed copy
- Five (5) copies
- One electronic copy emailed to kim.santin@georgehills.com

Responses should be submitted in a sealed package, plainly marked in the upper left hand corner with the name and address of responder to:

Kim Santin, CPA, Finance Director  
CalMHSa  
c/o George Hills Company, Inc.  
3043 Gold Canal Drive, Suite 200  
Rancho Cordova, CA 95670

- 6.2 The above documents and the electronic mail (e-mail) of the responder's package will be accepted. The deadline for submitting the proposal package is 5:00 P.M. PDT, August 19, 2011.
- 6.3 Any response package received after the submission deadline shall be returned, unopened, to the sender and shall not be evaluated.
- 6.4 Until the response package submission deadline, the response package may be withdrawn or errors in response packages may be corrected. The response

package may be withdrawn by submitting a request in writing to withdraw the response package. The response package may be corrected by submitting a request in writing to withdraw the response package accompanied by the corrected response package. Corrections will not be accepted once the deadline for submission of responses has passed. Requests to withdraw the response should be addressed to:

Kim Santin, CPA, Finance Director  
CalMHSA  
ATTN: Request to Withdraw  
c/o George Hills Company, Inc.  
3043 Gold Canal Drive, Suite 200  
Rancho Cordova, CA 95670

## 7.0 RESPONSE PACKAGE FORMATTING REQUIREMENTS

All responses must be submitted in the prescribed format. Any response that deviates from this format may be rejected without review at CalMHSA's sole discretion. In preparing the written response, the responder shall ensure the following:

- Text must be legible, typewritten, and double-spaced.
- Pages must be numbered consecutively from beginning to end so that information can be located easily during review of the response. The format of the response shall follow the same order of the RFQ. For your response state the direct question from the RFQ and provide your description immediately following.
- The response **must follow prescribed format (failure to follow this format and sequence order of sections in the response may result in disqualification or a lower evaluation score). Responders are encouraged to be concise in their responses to the required information. Responses will be evaluated based on quality of the content of the submission, and not on length.**
- CalMHSA reserves the right to waive any irregularity in a submitted response.

## 8.0 OVERVIEW OF QUALIFICATION REVIEW PROCESS

CalMHSA staff will evaluate the Response Packages. Those that are responsive will be scored and ranked by CalMHSA staff and the CalMHSA Finance Committee. The proposals ranked highest will be evaluated by CalMHSA staff and Finance Committee. The CalMHSA Board has authorized the CalMHSA Finance Committee to select the Investment Management Consultant.

## 9.0 NOTICES TO PROPOSERS REGARDING THE PUBLIC RECORDS ACT

- 9.1 Responses to this solicitation shall become the exclusive property of CalMHSA. All proposals will be treated as confidential until the selection process is completed and a contract signed. After that, all proposals will become public records. In the event that a proposer desires to claim portions of its proposal exempt from disclosure, it is incumbent upon the proposer to clearly identify those portions with the exception of those parts of each proposal which are justifiably defined by the proposer and plainly marked as "Trade Secret," "Confidential," or "Proprietary."
- 9.2 CalMHSA shall not, in any way, be liable or responsible for the disclosure of any such record or any parts thereof, if disclosure is required or permitted under the California Public Records Act or otherwise by law. **A blanket statement of confidentiality or the marking of each page of the proposal as confidential shall not be deemed sufficient notice of exception. The proposers must specifically label only those provisions of their respective bid/proposal which are "Trade Secrets," "Confidential," or "Proprietary" in nature.**

## 10.0 REQUIREMENTS OF THE REQUEST FOR QUALIFICATIONS OF YOUR FIRM

### 10.1 Organization

Please provide background on your firm, including:

- Firm history
- Ownership
- Is your firm a Registered Investment Advisor or Broker Dealer? Please describe why it is a benefit or a disadvantage to work within the current ownership structure.
- Do your clients receive unique access to managers or preferred institutional pricing with third party managers?
- Describe your primary products and services provided.
- Description of client base and assignments.
- Relative to the scope of services described in Section 1.0 what key strengths or competitive advantages does your firm possess? What are your disadvantages?
- Describe policies in place to identify, manage and disclose conflicts of interest and maintain overall compliance with policies.
- Describe your policy regarding compensation from clients. Is your firm compensated by fund managers through soft-dollars? If so, please describe.

### 10.2 Personnel

1. Please describe the depth of resources and number of personnel dedicated to third party investment manager research.
2. Please describe the relationship management model that your firm would employ to serve our organization.
3. Please provide an overview of the roles and responsibilities of key senior staff and the professionals that will be involved with our relationship.

4. Please describe what resources are available for investment committee and board education.

### 10.3 Investment Policy and Portfolio Management

1. Describe your investment philosophy and your firm's operational due-diligence process.
2. Describe the process you will use to recommend investment policies, objectives, and guidelines for our portfolio. How would you involve the Staff and Finance committee in this process?
3. Describe how your firm monitors investment managers' compliance with policy, objectives and guidelines and the process for continually reviewing investment policy, asset allocation and portfolio structure.
4. Describe your firm's capabilities for conducting investment management searches, including the resources/databases used for searches.
5. Describe your risk control process, including functions performed to ensure appropriate levels of risk are being assumed. What risk management tools and resources do you use?
6. Describe your firm's manager search process and philosophy for conducting proper due diligence. Are you able to accommodate and track performance by a manager not within your own firm?
7. Have you ever fired a manager affiliated with your own firm?

### 10.4 Investment Management Reporting

1. Describe your performance monitoring system.
2. What criteria do you use in evaluating managers? What qualitative factors do you evaluate when researching investment management organizations?
3. Describe the types of analysis included in a typical performance monitoring report and your ability to customize your performance monitoring report. How quickly after the end of a reporting period are you able to report on that period?

## 10.5 References

Please provide three local agency client references, including length of time managing their assets, client name, address, phone number, and email.

## 10.6 Fees

Please include a copy of your firm's fee schedule. State your fee in basis points for assets under management.

1. Please indicate whether they include custodial fees.
2. Is there a minimum annual fee?
3. Are fees charged when there is no activity in the account?

Exhibit A

California Mental Health Services Authority Annual Revenue and Expenditure Report - Proposed Budget June 30, 2012						
	Estimated 6/30/2011	Estimated 6/30/2012	Estimated 6/30/2013	Estimated 6/30/2014	Estimated 6/30/2015	Total
<b>Unexpended Funds Available from Prior Fiscal Years</b>						
Technical Assist/Capacity Building Unexpended Funds	-	303,572				
MHSA Program Unexpended Funds	-	88,849,910	68,499,879	27,138,109	315,779	
MHSA Community Planning Unexpended Funds	-	2,787,370	2,110,000	1,030,000	(0)	
<b>Total Unexpended Funds Available from Prior Fiscal Years</b>	-	<b>91,940,852</b>	<b>70,609,879</b>	<b>28,168,109</b>	<b>315,779</b>	-
<b>Deposits to CalMHSA Funds during Fiscal Year</b>						
Technical Assist/Capacity Building Funds	339,612					339,612
Phase I - PEI Statewide Planning Funds (5%)	5,107,890	1,702,630				6,810,520
Phase II - PEI Statewide Program Funds	97,049,910	32,349,969				129,399,879
Interest Income						
<b>Total Deposits to CalMHSA</b>	<b>102,497,412</b>	<b>34,052,599</b>				<b>136,550,011</b>
<b>Expenditures</b>						
Technical Assist/Capacity Building	36,040	303,573				339,613
Phase I - PEI Statewide Planning (5%) - Expenditures	2,320,520	2,380,000	1,080,000	1,030,000		6,810,520
Phase II - PEI Statewide Program - Expenditures	2,500,000	40,000,000	34,000,000	20,822,330		97,322,330
Evaluation	200,000	2,500,000	3,200,000	4,000,000	315,779	10,215,779
General and Administrative	500,000	5,200,000	2,515,781	2,000,000		10,215,781
<b>Total Expenditures</b>	<b>5,556,560</b>	<b>50,383,573</b>	<b>40,795,781</b>	<b>27,852,330</b>	<b>315,779</b>	<b>124,904,023</b>
<b>Contributions to Operating Reserve</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>1,645,989</b>	-		<b>11,645,989</b>
<b>Total Unexpended Funds</b>	<b>91,940,852</b>	<b>70,609,878</b>	<b>28,168,109</b>	<b>315,779</b>	<b>(0)</b>	<b>(1)</b>

See Notes in Budget Narrative