

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: ALAN ALTON, CHIEF FINANCIAL OFFICER  
SUBJECT: ASSIGNMENT AND ASSUMPTION OF PROFESSIONAL SERVICES AGREEMENT F002061 AND FIRST AMENDMENT TO AGREEMENT WITH U.S. BANCORP ASSET MANAGEMENT, INC. FOR INVESTMENT ADVISORY SERVICES

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Finance Department that the Council, by two separate resolutions: 1) approve the Assignment and Assumption of Professional Services Agreement Number F002061 and Consent to Assignment; and 2) approve the First Amendment to Professional Services Agreement Number F002061 with U.S. Bancorp Asset Management, Inc., a Delaware Corporation, dba PFM Asset Management, for investment advisory services with the City of Santa Rosa, extending the term for five years, through October 1, 2029, and increasing compensation by \$1,720,000 for a total not-to-exceed amount up to \$3,220,000.

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EXECUTIVE SUMMARY

The City of Santa Rosa (the City) holds over \$600 million in investments. These funds represent reserve amounts for all funds, including Water Enterprise funds and the Housing Authority, General Fund reserves and operating funds, as well as cash funding for many high value capital projects. Since use of these funds is not required immediately, it is imperative the funds are invested responsibly to maximize the City's financial position. Since 2007, PFM Asset Management LLC (PFM) has provided these investment advisory services to the City. PFM was acquired by U.S. Bancorp Asset Management, Inc. and has requested the City consent to the assignment of PFM's rights and obligations under Professional Services Agreement Number F002061 (PSA) to U.S. Bancorp Asset Management, Inc. Following the City's approval of the Assignment and Assumption Agreement, the First Amendment to the PSA will extend these services and compensation for an additional five years.

BACKGROUND

The City contracts for several services relative to banking and other financial services, including merchant card services, institutional custody, and procurement cards. PFM

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has provided Investment Advisory services to the City since 2007. In May 2019, a Request for Proposal (RFP) was issued to evaluate other competitors, services, and pricing. At that time, PFM was selected over other candidates as the optimal service provider for the City at the best cost. The original PSA was approved on October 1, 2019, was for a five-year period, with five (5) one-year renewal options.

The City would like to extend this relationship and amend the PSA. This First Amendment will extend term of the PSA for the remaining five years, through October 1, 2029, and increase compensation accordingly.

In July of 2024, the City was notified that PFM was being consolidated into its parent company, U.S. Bancorp Asset Management, Inc., a Delaware Corporation (US Bancorp). Prior to amending the original agreement executed with PFM, the City must consent to the "Assignment and Assumption" of the contract to U.S. Bancorp Asset Management, Inc., a Delaware Corporation.

#### PRIOR CITY COUNCIL REVIEW

On October 1, 2019, City Council, by Resolution No 2019-149 approved the five-year PSA with PFM.

On August 22, 2023, PFM assisted with updating the Council with the City's investment policy.

#### ANALYSIS

The City wishes to utilize U.S. Bancorp's expertise and resources in order to ensure the preservation of capital and maximize investment returns. In addition to managing the City's investment portfolio, PFM produced and U.S. Bancorp will produce the City's monthly Investment Reports, provides analysis, and help answer investment-related questions from the Council and the public. In order to continue services, the City must approve the assignment and assumption of PFM's rights and obligations under the PSA to U.S. Bancorp and then approve the First Amendment to the PSA to extend the term and increase the compensation.

U.S. Bancorp has included certain changes to the First Amendment which are not as favorable as City's standard language, including changes to Insurance Section 5(b) and Section 14 of the original agreement regarding avoidance of conflicts of interest which U.S. Bancorp requested be limited to individuals working on the City's account rather than any employee, customer, or subcontractor connected in any way to a U.S. Bancorp.

The annual fee paid to U.S. Bancorp under this PSA is based on the value of assets in the City's investment portfolio managed by U.S. Bancorp. The current fees are based as follows: 0.075% on the first \$100 million of assets managed; 0.06% on assets managed

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between \$100 million and \$300 million; and .04% on assets managed in excess of \$300 million. This amendment will increase compensation by \$1,720,000 for a total not-to-exceed amount of \$3,220,000 in the next five years. The total portfolio market value as of October 31, 2024 is \$595 billion.

Since engaging PFM for assistance with the City's investment advisory services, the Finance Department has been supported with responsible and engaged investments, regular communication, quarterly investment meetings and a monthly investment report that is shared with Council and posted to the City's website at <https://www.srcity.org/176/Investments>. In addition, PFM has assisted with updating the City's investment policy that, was brought to council August 22, 2023, and included as an attachment.

### FISCAL IMPACT

The cost associated with this PSA do not impact the General Fund. The fees for investment services are paid for out of Fund 1890, the Pooled Investment Fund (PIF), and there are sufficient appropriations in the Fiscal Year (FY) 2024-25 budget to pay for the first year of this PSA. The second year will be addressed in the City's budget process. While the First Amendment to the PSA recommended by this item is for five years, managing the City's investment portfolio is an ongoing operation, and funds to pay for this service will be budgeted annually.

### ENVIRONMENTAL IMPACT

Pursuant to CEQA Guidelines Section 15378, the proposed action is not a "project" subject to the California Environmental Quality Act (CEQA) because it does not have a potential for resulting in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. In the alternative, the proposed action is exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3) because it can be seen with certainty that there is no possibility that the project may have a significant effect on the environment.

### BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

### NOTIFICATION

Not applicable.

### ATTACHMENTS

- Attachment 1 – Council Policy No. 000-26 - Statement of Investment Policy
- Resolution 1- Assignment & Assumption and Consent to Assignment

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- Exhibit A (Reso 1) – Assignment & Assumption and Consent to Assignment
- Resolution 2 – First Amendment to F002061
- Exhibit A (Reso 2) - First Amendment to F002061

PRESENTER

Alan Alton, Chief Financial Officer