

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: CHUCK MCBRIDE, CHIEF FINANCIAL OFFICER
FINANCE DEPARTMENT

SUBJECT: CONTRACT EXTENSION – SIXTH AMENDMENT TO
PROFESSIONAL SERVICES AGREEMENT 008687 WITH PFM
ASSET MANAGEMENT, LLC FOR INVESTMENT ADVISORY
SERVICES

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Finance Department that the Council, by resolution: 1) waive the competitive selection procedures in Council Policy 600-01 as in the best interests of the City; and 2) approve the Sixth Amendment to Professional Services Agreement Number 008687 for investment advisory services with PFM Asset Management, LLC, to extend the term for one additional year from October 8, 2018 to October 9, 2019, and increase compensation by \$235,000 for a total amount not to exceed \$2,040,000.

EXECUTIVE SUMMARY

This item recommends authorization to waive competitive bidding and approval to extend the current contract with PFM Asset Management, LLC (PFM) for investment advisory services for one year in order for sufficient time to go through the request for proposal process. The contract pricing terms for the one year extension remain unchanged.

BACKGROUND

The City has a contract with PFM to manage a portion of the City's investment portfolio. The City entered into this agreement to utilize PFM's expertise and resources in order to ensure the preservation of capital and to maximize investment returns. In addition to managing the City's investment portfolio, PFM produces the City's monthly Investment Reports, provides analysis, and helps answer investment-related questions from the Council and the public.

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ANALYSIS

The annual fees paid to PFM under this contract is based on the value of assets in the City's investment portfolio managed by PFM. The current fees are based as follows: 0.075% on the first \$100 million; 0.06% on assets managed between \$100 million and \$300 million; and 0.04% on assets managed in excess of \$300 million.

The proposed fee structure is the same as the prior contract amendment. Of the total investment portfolio of approximately \$403 million, PFM manages approximately \$352 million. The estimated fees for the contract term will be approximately \$216,000; however, we are setting a higher not-to-exceed amount for the contract amendment to allow for increases in portfolio size.

Since PFM became the City's investment advisor in 2007, the portfolio has outperformed its benchmark by 0.38%, producing an average annual return of 1.38% and generating over \$32 million in earnings for the City.

On October 3, 2017, the City Council waived the competitive bid process and approved an amendment to the original contract for a one-year period. This one-year period was to allow time to go through a thorough selection process for a new investment advisory contract. Unfortunately, staff was unable to begin the selection process during the course of the year. This was due to staff resources needed to respond to the disaster and recovery, as well as leadership changes within the department. Staff is again requesting a waiver of competitive bid for this contract amendment.

It should be noted that PFM continues to provide excellent service both in terms of their interactions with staff, producing the monthly Investment Report, and producing strong investment returns.

PRIOR CITY COUNCIL REVIEW

The City Council awarded the original contract, as a result of a competitive bidding process, on September 11, 2007. The contract has been amended by the City Council on three subsequent occasions: on September 13, 2011 to add funds; on October 2, 2012 to extend the contract for one year and adjust fees; on October 8, 2013 to extend the contract for two years and adjust fees; on October 6, 2015 to extend the contract for two years and adjust fees; and on October 3, 2017 to waive competitive bidding to increase compensation and extend the term of the agreement for one year.

FISCAL IMPACT

The cost associated with this contract does not impact the General Fund. The fees for investment services are paid for out of the Pooled Investment Fund, and there are sufficient appropriations in the Fiscal Year 2018-19 to pay for this contract amendment.

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ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not Applicable

NOTIFICATION

Not Applicable

ATTACHMENTS

- Resolution/Exhibit A - Sixth Amendment to Professional Services Agreement Number 008687 with PFM Asset Management, LLC

CONTACT

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