

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: CHUCK MCBRIDE, ASSISTANT CITY MANAGER/CHIEF  
FINANCIAL OFFICER  
FINANCE DEPARTMENT  
SUBJECT: PROFESSIONAL SERVICES AGREEMENT WITH PFM ASSET  
MANAGEMENT LLC FOR INVESTMENT ADVISORY SERVICES

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Chief Financial Officer that the Council, by resolution, approve a Professional Services Agreement with PFM Asset Management LLC, San Francisco, CA, for a five-year duration, calculated on the value of assets managed, in an amount not to exceed \$1,500,000. The purpose of this agreement is to provide investment advisory services to the City.

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EXECUTIVE SUMMARY

The City issued RFP 19-39 on May 14, 2019 for Investment Advisory Services. This RFP included Council Member John Sawyer, Assistant City Manager/Chief Financial Officer Chuck McBride, Housing & Community Services Manager Megan Basinger, Principal Finance Analyst Shelley Reilly, and Financial Analyst Mike Frugoli. PFM Asset Management LLC was chosen for this service to the City. The contract for this service would be for a five-year period, with five (5) one-year renewal options. The fees for service would be approximately \$1,500,000 for the initial five-year duration. PFM has capped their fees in the first year of service at \$180,000.

BACKGROUND

The City currently has a contract with PFM to manage a portion of the City's investment portfolio. The City wants to extend this relationship with PFM by entering into the new contract described in the Executive Summary. The City wishes to utilize PFM'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 produces the City's monthly Investment Reports, provides analysis, and helps answer investment-related questions from the Council and the public.

### ANALYSIS

The annual fee 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 of assets managed; 0.06% on assets managed between \$100 million and \$300 million; and .04% on assets managed in excess of \$300 million.

PFM has also offered a cap to the costs of their first year of service at \$180,000. This cap will result in an estimated savings of \$36,000 in year one of service.

### 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 five (5) subsequent occasions: 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; on October 3, 2017, to extend the contract for one year; and on September 25, 2018, to extend the contract 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 Fund 1890, the Pooled Investment Fund, and there are sufficient appropriations in the Fiscal Year (FY) 2019-20 budget to pay for the first year of this contract. The second year will be addressed in the City's budget process. While the contract recommended by this item is for five (5) years, managing the City's investment portfolio is an ongoing operation, and funds to pay for this service will be budgeted annually. Anticipated costs for FY 19-20 are \$180,000. The remainder of this contract will be to cover the remaining future years.

### 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

CONTACT

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