



DATE: September 29, 2020

TO: Mayor and City Council

FROM: Director of Finance

SUBJECT: Adopt a Resolution Authorizing the City Manager to Execute a Professional Services Agreement Extension for Investment Portfolio Management Services with PFM Asset Management LLC in an Amount Not-to-Exceed \$95,000 Per Year

RECOMMENDATION

That Council adopts a resolution (Attachment II) authorizing the City Manager to execute a contract amendment with PFM Asset Management LLC for investment portfolio management services in an annual amount not to exceed \$95,000 per year, for a period through June 30, 2021.

SUMMARY

This action will contract services from PFM Asset Management LLC to provide professional investment portfolio management services based on the RFP completed in FY 2012 and will engage PFM for the said services for the entirety of FY 2021.

BACKGROUND

The Government Finance Officers Association (GFOA) recognizes that many local governments use the services of investment management firms and the GFOA offers best practice guidelines in the selection and utilization of such firms. The City's external auditor, Maze & Associates, opined as part of their FY 2011 year-end audit of the City's financial statements, that the City at that time did not have a balanced investment portfolio, and recommended that the City consider hiring a third-party investment manager to better manage and diversify the City's portfolio. Following recommendations from the City's Investment Advisory Committee (IAC) and Council Budget & Finance Committee, the City Council adopted an update to the City's FY 2012 Statement of Investment Policy for FY 2012 to allow the Director of Finance, upon direction of the City Manager and authorization by the City Council, to engage an external investment management firm to assist with the City's portfolio investments. In December 2011, the City conducted a competitive Request for Proposals (RFP) process for investment portfolio management services. In April 2012, following a thorough review and interview process of the eight responsive proposers with the City's Investment Advisory Committee, the City awarded a contract for investment portfolio management services to PFM Asset Management LLC.

DISCUSSION

PFM has been actively managing a portion of the City’s investment portfolio since July 1, 2012. While the initial amount managed by PFM was \$40 million, they are now authorized to manage approximately \$120 million of the City’s pooled cash assets. Investment performance of the City’s portfolio is reported quarterly to the City Council and past reports are available on the City’s website: <https://www.hayward-ca.gov/your-government/documents/investment-reports>.¹

While the Director of Finance continues to be the responsible officer of the City regarding the City’s investment portfolio, PFM Asset Management LLC assists in the investment management and diversification of the City’s portfolio, bringing in the professional expertise needed to balance the City’s investment portfolio within Council investment policies; and to maximize performance while maintaining safety and liquidity.

Staff is recommending that the City continue its engagement with PFM and authorize a contract through June 30, 2021. This recommendation is being made after completing a RFP process in which the City received and considered eight separate proposals. PFM was selected after careful consideration. The contract will provide continued service to assist with the City’s active portfolio management through June 2021 with a start date of July 1, 2020.

FISCAL IMPACT

The cost of services is based on the amount of funds being actively managed. PFM charges ten basis points (.10%) per year on the first \$25 million of assets under management, and eight basis points (.08%) per year on assets between \$25 million and \$50 million (with further cost phasing down to six basis points (.06%) per year for assets over \$100 million). Based on this cost structure, the annual cost will be approximately \$95,000. An allocation is included in the Finance Department General Fund budget for FY 2021 to cover this annual cost – offset by a like amount of assumed investment revenue growth.

STRATEGIC ROADMAP

This agenda item is a routine operational item and does not relate to any of the six priorities outlined in the Council’s strategic roadmap.

Prepared by: Crissy Mello, Administrative Secretary

Recommended by: Dustin Clausen, Director of Finance

Approved by:



Kelly McAdoo, City Manager

¹ City’s website: <https://www.hayward-ca.gov/your-government/documents/investment-reports>.