CITY OF HAYWARD
HEART OF THE BAY

**DATE:** December 2, 2025

**TO:** Mayor and City Council

**FROM:** Director of Finance

**SUBJECT** Adopt a Resolution Authorizing the City Manager to Execute a Professional Services Agreement for Investment Portfolio Management Services to PFM Asset Management LLC for a Period of Three-Years with Two Optional One-Year Extensions

## RECOMMENDATION

That the City Council adopts the attached resolution (Attachment II) authorizing the City Manager to execute contract with PFM Asset Management LLC for investment portfolio management services, for three years with the option to extend it for two additional one-year periods.

## SUMMARY

In April 2025, the City conducted a competitive Request for Proposal (RFP) process for municipal investment portfolio management services. Staff completed a judicious review of the eight proposals received and recommends the contract be awarded to PFM Asset Management LLC (PFM). PFM scored the highest of all proposals and effectively presented their value to the City. The City is currently under an amended contract with PFM for investment portfolio management services through the end of the fiscal year to allow ample time for the award of a new agreement. A clause in the amendment allows the City to terminate the agreement earlier upon notice to the other party. Staff recommends that the Council authorizes execution of a contract for a three-year term with the option to extend for two one-year periods beginning January 1, 2026, for portfolio management services.

## FISCAL IMPACT

The costs of this critical service is already incorporated in the Finance Department budget for FY 2025-26 and does not have an additional impact on the general fund. Costs for future years will be incorporated into the proposed budget for each fiscal year. The cost of services is based on the amount of funds being actively managed. PFM charges six basis points (.06%) per year on the first $200 million of assets under management, with further costs phasing down to four basis points (.04%) per year for assets over $200 million.

| Assets Under Management | Annual Asset Management Fee in Basis Points ("bps") |
|---|---|
| First $200 Million | 6 bps (0.06%) |
| Assets over $200 Million | 4 bps (0.04%) |

*Minimum annual fee of $40,000 applies to all relationships.*

Based on the City's investment portfolio size of approximately $280 million, the annual fee would be approximately $200,000 for all assets under management. Routine asset management results in improved interest earnings likely to result in earnings greater than the cost of the service. For FY 2024-25, Hayward booked $7.6 million in interest earnings and paid approximately $175,000 to PFM. Assets are dependent on market volatility and, therefore, annual cost is subject to adjust in relation to actual assets under management.

**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 use 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.

Adoption of the FY 2012 Statement of Investment Policy allowed the Director of Finance upon City Manager direction and authorization by the City Council, to engage with an external investment management firm to assist with the City's portfolio investments following recommendations from the City's Investment Advisory Committee (IAC) and Council Budget & Finance Committee.

In April 2025, the City conducted a competitive RFP for investment portfolio management services to adhere to the City's Procurement policy. The City received eight responses by the May 2, 2025, deadline. These responses had shown to be extensive and required additional time for a thorough and judicious review by the evaluating committee. In June 2025[1], City Council authorized the City Manager to extend the expiring agreement with PFM for up to one year to allow ample time for proper selection of a firm from the responses to the RFP. The proposals were evaluated by a panel of three staff members from the Finance Department based on the specific criteria stated in the RFP in July 2025.

Following a thorough review and interview process by the panel of the seven responsive proposers, the top three rated firms were selected to interview with the City's Investment Advisory Committee (IAC). The IAC conducted follow-up interviews with the three highest

[1] https://hayward.legistar.com/LegislationDetail.aspx?ID=7420493&GUID=24BCBB77-F25B-441A-A675-2D01A72FE104&Options=&Search=

scoring firms and determined that PFM provided a broader range of relevant experience and access to more extensive services and staff. Based upon the scoring of the responses to the RFP and the results of the interview process, staff are recommending the award of services to PFM. The scoring for the top three rated firms is provided in the following table:

| Consultant | Total Score (Max Score 110) |
| --- | --- |
| U.S. Bancorp Asset Management, Inc. (PFM Asset Management LLC) | **104.33** |
| Chandler Asset Management, Inc. | **102** |
| Meeder Public Funds, Inc. | **100** |

**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 the City's pooled cash assets that were approximately $280 million in October, 2025. These pooled assets include the City's Core and Short-Term CAMP accounts.

While the Director of Finance continues to be the responsible officer of the City regarding the City's portfolio, PFM 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 PFM Asset Management LLC be awarded a contract for a period of three-years with two optional one-year extensions, subject to the approval of the City Manager. The Finance department will be responsible for managing the contract and will review all invoices for services provided by PFM to ensure completion of work and accuracy of the invoices.

**STRATEGIC INITIATIVES**

This contract is aligned with Hayward's initiative to strengthen organizational health.

**PUBLIC CONTACT**

The agenda for this item was posted in compliance with the California Brown Act.

**NEXT STEPS**

Following Council approval, staff will take the necessary steps to execute an agreement for a three-year term with the option to extend for two additional one-year periods with PFM Asset Management LLC.

*Prepared by*: Crissy Mello, Administrative Secretary

Recommended by: DeAnna Hilbrants, Director of Finance

Approved by:

J. Addleman

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Jayanti Addleman, Interim City Manager