



## Council Agenda Report

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Item 6g

**Department:** Finance  
**Cost Center:** 2001  
**For Agenda of:** 9/21/2021  
**Placement:** Consent  
**Estimated Time:** N/A

**FROM:** Brigitte Elke, Finance Director  
**Prepared By:** Brigitte Elke, Finance Director

**SUBJECT:** REQUEST FOR PROPOSALS FOR INVESTMENT ADVISOR SERVICES

### RECOMMENDATION

1. Approve the Request for Proposal (RFP) documents for investment advisor services and authorize their release.
2. Authorize the City Manager to enter into contract with the selected consultant.

### DISCUSSION

#### Background

The City of San Luis Obispo pools its financial resources and diversifies its investments into long- and short-term vehicles to maximize yield while preserving safety and liquidity. In 2014, the City entered into contract with PFM Asset Management, LLC for investment adviser services. The term of the contract was for an initial five years with a possible two-year extension that was executed on November 19, 2019. The contract is set to expire and a new request for proposals (RFP) is necessary to ensure that the City receives the best possible services at the best possible price.

#### Scope of Services

The investment advisor services requested include but are not limited to the following:

1. Manage the City's portfolio in a fiduciary capacity with discretionary authority;
2. Execute trades in accordance with the City's Investment Policy and Management Plan and its Environmental, Social, Governance (ESG) investment strategy;
3. Assist the City with maturity and cashflow analysis;
4. Provide credit analysis of investment instruments of portfolio;
5. Provide monthly/quarterly/annual reporting on all government entity funds including market values and a detailed listing of investments held in the portfolio at each reporting interval;
6. Attend quarterly meetings with City staff, the Investment Oversight Committee, and occasionally the City Council during public session;
7. Evaluate market risk and develop strategies that minimize the impact on the portfolio;
8. Provide assurances of portfolio compliance with applicable policies and laws and the City's Investment Policy and Management Plan;

9. Establish an appropriate performance benchmark when necessary;
  10. Indicate full understanding of Investment Policy and Management Plan, the ESG investment strategy and recommend changes as appropriate;
  11. Ensure portfolio structure matches City objectives; and
  12. Forecast annual earnings from the portfolio for the City's use in a budget planning.
- The firm shall not have custody or possession of the funds or securities that the City has placed under its management.

### **Next Steps**

Staff has prepared RFP documents (Attachment A) and seeks to release the RFP by September 22, 2021. The schedule is set as follows:

- |   |               |
|---|---------------|
| • Issue RFP   | 9/13/21       |
| • Receive proposals                                     | 9/30/21       |
| • Complete proposal evaluations                         | 10/15/21      |
| • Conduct finalist interviews & finalize recommendation | 10/18 – 27/21 |
| • Execute contract                                      | 11/1 – 5/21   |
| • Start work  | 11/20/21      |

### **Previous Council or Advisory Body Action**

The City Council approved the last RFP release on September 2, 2014, which resulted in a seven-year contract with PFM Asset Management, LLC that will expire on November 19, 2021.

### **Policy Context**

The City of San Luis Obispo has an adopted Investment Policy and Management Plan which sets for that

### **Public Engagement**

This item will be before Council during public session on September 21, 2021. No additional public engagement was conducted.

### **ENVIRONMENTAL REVIEW**

The California Environmental Quality Act does not apply to the recommended action in this report, because the action does not constitute a "Project" under CEQA Guidelines Sec. 15378.

### **FISCAL IMPACT**

Budgeted: Yes

Budget Year: 2021-22

Funding Identified: Yes

**Fiscal Analysis:**

<b>Funding Sources</b>	<b>Total Budget Available</b>	<b>Current Funding Request</b>	<b>Remaining Balance</b>	<b>Annual Ongoing Cost</b>
General Fund		\$	\$	\$
State				
Federal				
Fees				
Other:				
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

Investment Advisor services are usually compensated based on the level of the invested assets. Currently, the City reimburses PFM Asset Management, LLC based on the following scale:

<b>Assets under Management</b>	<b>Annual Fee</b>
First \$25 million	10 basis points (0.10%)
Next \$25 million	8 basis points (0.08%)
Next \$50 million	7 basis points (0.07%)
Assets over \$100 million	6 basis points (0.06%)

At the level of the current investment, this would equate to between \$80,000 to \$85,000. This amount will be distributed to the City's five major funds based on the assets currently invested and managed by the Investment Advisor. The amount is compensated directly from the City's investment earnings control account.

**ALTERNATIVES**

1. ***Do not approve the release of a RFP and approve an additional extension of the agreement with PFM Asset Management, LLC.*** While PFM Asset Management's performance has been exemplary to date, this is not recommended since it is prudent to make sure that the City receives the best services at the most competitive rate possible.
2. ***The City Council could direct staff to bring investment services in-house.*** This is not recommended as the Finance department is not staffed appropriately to provide this service in-house.

**ATTACHMENTS**

A – Investment Auditor Services Request for Proposals