Tempe

CITY OF TEMPE
REQUEST FOR COUNCIL ACTION

Council Meeting Date: 10/27/2016
Agenda Item: 5B7

ACTION: Approve the utilization of a 21-month City of Mesa cooperative contract with PFM Asset Management, LLC for investment management services to be overseen by the Internal Services Department.

FISCAL IMPACT: Total cost of this contract over the 21-month period is estimated at $330,000. Sufficient funds have been appropriated in the General Fund (cost center 1831 – Accounting) and various other City-wide cost centers for the 2016/2017 fiscal year.

BACKGROUND INFORMATION: (City of Mesa Contract 2015006) The City of Mesa issued a Request for Proposal (RFP) to establish a term contract for investment management services that included language allowing its use by other governmental agencies. The contract was awarded for a three-year term beginning August 1, 2015 and ending July 31, 2018. Staff is requesting that Council approve a 21-month contract with PFM Asset Management, LLC ("PFM") that will align with the termination date of July 31, 2018.

PFM currently manages approximately $9.7 billion in investment management services for cities across the country. Arizona based cities account for approximately $2.1 billion of their total asset base. PFM will be directed to manage Tempe's short and intermediate-term fixed-income assets in accordance with the following services:

- Manage, on a daily basis, the City's separate investment portfolios pursuant to the specific stated investment objectives;
- Serve as a general resource to the City's Financial Services staff for information, advice and training regarding investments;
- Work with staff to understand cash flow projections to ensure that the investment strategy is consistent with the City's liquidity requirements;
- Provide monthly statement with all the information required by the Governmental Accounting Standard Board (GASB);
- Provide monthly and quarterly investment reports including a description of market conditions, investment strategies employed and suggested changes to investment strategies;

With Council approval, staff anticipates placing approximately $255 million under the management of this firm. PFM will charge fees as noted below:

- 9 basis points (0.09%) per year on the first $100 million of assets under management;
- 6 basis points (0.06%) per year on assets between $100 million and $200 million under management;
- 4 basis points (0.04%) per year on assets between $200 million and $300 million under management;

ATTACHMENTS: None

STAFF CONTACT(S): Jerry Hart, CPA, Deputy Director for Internal Services – Finance, (480) 350-8505

Department Director: Renie Broderick, Internal Services Director
Legal review by: David Park, Assistant City Attorney
Prepared by: Michael Greene, C.P.M. Procurement Administrator