



Legislation Details (With Text)

File #: 2019-396 **Version:** 1 **Name:**
Type: Contract **Status:** Passed
File created: 11/4/2019 **In control:** Board of Directors Workshop Meeting
On agenda: 11/13/2019 **Final action:** 11/13/2019
Title: Contract No. 1902721 Investment Advisor Services
Sponsors: Nicolette Bateson
Indexes: Finance
Code sections:
Attachments: 1. Board Letter Attachment - PFM Asset Management – Fees.pdf, 2. Procurement Report RFP 1902721 Investment Advisor Services.pdf

Date	Ver.	Action By	Action	Result
11/13/2019	1	Board of Directors Workshop Meeting	Approved	Pass

Contract No. 1902721 Investment Advisor Services

Agenda of: November 13, 2019

Item No.: **2019-396**

Amount:	3-Year Contract	\$1,320,000.00
	First Year Renewal Option	\$ 440,000.00
	Second Year Renewal Option	<u>\$ 440,000.00</u>
	Total	\$2,200,000.00

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Sue F. McCormick
Chief Executive Officer
Great Lakes Water Authority

DATE: November 13, 2019

RE: **Contract No. 1902721**
Investment Advisor Services
Vendor: PFM Asset Management LLC

MOTION

Upon recommendation of the Audit Committee, the Board of Directors (Board) of the Great Lakes Water Authority, **approves a contract to secure investment advisor services, at a cost not to exceed \$1,320,000 for a duration of three years with two-one year renewals at a cost of \$440,000 for each renewal year for total contract amount of \$2,200,000 with PFM Asset Management LLC**, and authorizes the CEO take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

The Great Lakes Water Authority (GLWA) has worked with an investment advisor since the stand-up of the organization to assist in the management of its investment portfolio. The use of a registered investment advisor has proven to be a cost effective and efficient approach to portfolio management. The investment advisor allows GLWA to have direct access to financial market data sources, technology and expertise while allowing the treasury team to focus on the development of cash flows, treasury internal controls, and process improvements. Using an investment advisor has helped GLWA to achieve higher portfolio returns, properly manage market risk and diversify portfolio holdings. The contract with the current investment advisor, PFM Asset Management, LLC expires December 31, 2019.

In keeping with GLWA's ongoing cycle to solicit proposals for key professional services, a Request for Proposal (RFP) for Investment Advisor services was posted August 26, 2019 on Bonfire. Nine proposals were received. Each proposal was evaluated on criteria that included experience and qualifications (20%), technical work plan (20%), experience of project team and key individuals (15%), and pricing (10%). Based on the evaluator scoring, the top three firms were invited to participate in oral interviews. Oral interviews (35%) were included in the final scoring.

JUSTIFICATION

After completing a review of the nine proposals and oral interviews, PFM Asset Management, LLC was selected to continue as Investment Advisor for GLWA. The fee for investment advisor services is billed monthly based on the actual managed portfolio balance. The annual fee, calculated using a maximum portfolio balance of \$1 billion, would be \$440,000. The fees are inclusive of all investment advisor services to GLWA including managing the portfolio, preparation and presentation of investment reporting and other requested presentations to the audit committee and board, as well as travel and incidental expenses. As shown in the attached table, "PFM Asset Management - Fees", PFM and the GLWA team were able to agree upon a reduced pricing structure.

PFM Asset Management, LLC has performed well for GLWA. PFM's team has collaborated with the GLWA treasury staff to 1) negotiate and increase bank earnings credit rates, 2) invest debt service and debt reserve funds, 3) transition balances in bank deposit accounts to higher yielding government money market and local government investment pools, 4) invest funds in construction and trust accounts into longer term investment securities, 5) develop quarterly investment report package and 6) identify a portfolio strategy appropriate for GLWA. With PFM's assistance, GLWA investment income earnings have grown from \$4.4 million in FY 2017 to \$22.3 million in FY 2019.

See attached Procurement Report for details related to the RFP process.

BUDGET IMPACT

The fees for the investment advisor services are within the FY 2020 Budget and Five-Year Plan amount in the contractual services category in the Treasury cost center (884131) in the amount of \$440,000 annually.

COMMITTEE REVIEW

This matter was presented to the Audit Committee at its meeting on October 31, 2019 and was approved for recommendation to the Board.

SHARED SERVICES IMPACT

This item does not impact the shared services agreement between GLWA and DWSD.