

STAFF REPORT

Date: November 20, 2024

To: Mayor and City Council

Through: Jackie Bryant, Interim City Manager

Subject: Staff Report (For Possible Action): Approval of Investment Advisory Services Agreement with US Bank Asset Management (previously PFM Asset Management LLC) for Investment Advisory Services for five (5) years with three (3) one-year extensions in an annual amount not to exceed \$160,000. (General Fund)

From: Matt Taylor, Assistant Director of Finance

Department: Finance

Summary:

The City of Reno has an investment portfolio with assets in excess of \$469 million as of June 30, 2024. It is best practice to invest the City's idle funds to provide for investment earnings. The City of Reno has been receiving Investment Advisory Services from PFM Asset Management LLC (PFMAM) for the past 5 years and has experienced returns on investment of 4-5% for fiscal year 2024. As of October 1, 2024, PFM Asset Management LLC will be merged with US Bank Asset Management (USBAM). This contract will allow the City to continue to have the same level of service and dedicated representatives while PFMAM merges with USBAM while reducing fees paid by the City substantially. The City paid \$263,000 in fees for Investment Advisory Services in Fiscal Year 2024 and this would be reduced to \$117,000 under the new contract resulting in a savings of \$146,000.

| Consent Review | Yes | No |
|--|---------|----|
| 1. Is this item an annual or standard item that comes before Council for regular approval? | X | |
| 2. Is this item an agreement required based on an item previously approved by Council? | | X |
| 3. Is this item included in the current budget approved and adopted by Council? | X | |
| Other Considerations | | |
| What percent of the total City budget does this item represent? | 0.0168% | |

Alignment with Strategic Plan:

Fiscal Sustainability

Previous Council Action:

On December 12, 2018, Council approved an agreement for Investment Advisory Services with PFM Asset Management LLC.

Background:

The City of Reno currently holds an investment portfolio of in excess of \$469 million with approximately \$371 million of Assets Under Management and remaining funds are held at Nevada Local Government Investment Pool (LGIP) and Wells Fargo (bank). This portfolio invests monies belonging to the City's various funds and the fees are shared by all City funds based on their portion of the investment funds either direct or through the indirect cost allocation process completed during the budget process. The size and complexity of the City's portfolio is sufficient to require a reasonably high level of portfolio management skills and resources. The City's portfolio benefits from the expertise and market knowledge that a professional investment advisory service can provide. The goal is to have a properly diversified portfolio with laddered maturities that are in line with the City's cash flow needs. By continuing with PFMAM/USBAM, the City will benefit from an actively managed portfolio which should produce increased investment earnings while maintaining safety, liquidity and returns.

Discussion:

The Finance Department participated in the State of Nevada's Request for Proposal (RFP) process to select Investment Advisors for the State of Nevada. The agencies involved in the RFP process included the State of Nevada, Washoe County, Washoe County School District and the City of Reno. In total seventeen (17) proposals were received with six (6) proposals directly related to the City of Reno. After reviewing the proposals, the committee narrowed their decision to Buckhead Capital Management LLC and PFM Asset Management LLC. Upon additional review of costs to the City compared to excess returns needed to cover the fees, the staff recommends selecting PFMAM to move forward for a contract.

PFMAM submitted a bid that reduced their fees from 7 basis points for the first \$300 million and 6 basis points for amounts over \$300 million AUM (Assets Under Management) to 3 basis points on AUM. The next highest bidder submitted a proposal with fees of 12 basis points for the first \$100 million AUM, 6 basis points for the next \$100 million AUM and 5 basis points for amounts over \$300 million AUM. The cost difference between the two bids was approximately \$160,000 and would require earnings to be 5 basis point higher than previously experienced to compensate for the increased cost. The needed increase in earnings seemed high considering interest rates are expected to decrease in the coming years. Additionally, PFMAM/USBAM will continue to review

our investment policy for compliance with NRS to allow the City to maximize returns on investment, provide monthly reporting of investment activities, attend quarterly meetings with City staff on market changes and investment updates, and be available for research and questions.

Financial Implications:

The current agreement with PFMAM has a fee of 7 basis points for the first \$300 million AUM and 6 basis points for amounts over \$300 million AUM and the new agreement is for 3 basis points on AUM, resulting in overall savings to the City of Reno. Funds are budgeted in the General Fund for the agreement.

Legal Implications:

Legal review completed for compliance with City procedures and Nevada law.

Recommendation:

Staff recommends Council approve the Agreement and authorize the Finance Director to sign.

Proposed Motion:

I move to approve the Agreement and authorize the Finance Director to sign.

Attachments:

US Bankcorp Asset Management (PFM) Agreement
Investment Advisor Staff Presentation