



WASHOE COUNTY

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STAFF REPORT

BOARD MEETING DATE: April 11, 2017

DATE: 03/07/17
TO: Board of County Commissioners
FROM: Tammi Davis, Washoe County Treasurer, Treasurer's Office
775-328-2525, tsdavis@washoecounty.us
SUBJECT: Recommendation to approve a one year extension of the Investment Management Services agreement between Washoe County and PFM Asset Management LLC and Hobbs, Ong and Associates, Inc., and to authorize future renewal options to be executed by the Treasurer upon approval of the Washoe County Investment Committee. The estimated annual cost is [\$315,000] which is allocated among the funds and agencies who participate in the Washoe County Investment Pool (All Commission Districts).

SUMMARY

Recommendation to approve a one year extension of the Investment Management Services agreement between Washoe County and PFM Asset Management LLC and Hobbs, Ong and Associates, Inc., and to authorize future renewal options to be executed by the Treasurer upon approval of the Washoe County Investment Committee. The estimated annual cost is [\$315,000] which is allocated among the funds and agencies who participate in the Washoe County Investment Pool.

Washoe County has a current agreement in place for Investment Management Services. The current agreement states that the contract may be renewed annually as agreed upon by all parties. The original three year term expired April 27, 2016, and was extended by amendment to April 27, 2017.

Washoe County Strategic Objective supported by this item: Stewardship of our Community

PREVIOUS ACTION

11/13/2012 Board of County Commissioners (BCC) authorized the release of a Request for Proposal (RFP) for investment management services.

AGENDA ITEM # 9

- 01/09/2013 RFP Responses received from 6 firms: Chandler Asset Management; C.S. McKee Investment Managers; FTN Financial Main Street Advisors (FTN); Opus Investment Management, Inc.; PFM Asset Management LLC (PFM) and Wells Capital Management.
- 02/12/2013 Washoe County Investment Committee (Committee) reviewed results of RFP and voted to invite presentations before the Committee by the two top rated responders.
- 03/06/2013 Committee received presentations by FTN and by PFM. Committee recommended approval of an agreement for investment management services with PFM Asset Management LLC and Hobbs, Ong and Associates.
- 04/03/2013 BCC approved the Investment Services Agreement with PFM Asset Management LLC and Hobbs, Ong and Associates for investment management services for a term of three years with annual renewal options as agreed upon by all parties.
- 05/28/2014 BCC approved consent to deemed assignment of the Investment Services Agreement between Washoe County and PFM, upon the change in control of the holding company of PFM.
- 4/26/2016 Committee unanimously approved to recommend one year extension of the Investment Management Services agreement between Washoe County and PFM Asset Management LLC and Hobbs, Ong and Associates.
- 5/24/2016 BCC approved Amendment to Investment Services Agreement, extending the term to April 27, 2017.
- 1/24/2017 Committee unanimously approved to recommend one year extension of the Investment Management Services agreement between Washoe County and PFM Asset Management LLC and Hobbs, Ong and Associates, and authorize Investment Committee to approve future extensions.

BACKGROUND

Washoe County currently holds an investment portfolio of approximately \$520 million dollars. This portfolio invests monies belonging to the Washoe County Investment Pool which members consist of Washoe County and its various funds, as well as Washoe County School District, Regional Transportation Commission, Truckee River Flood Management Authority, Reno-Tahoe Airport Authority, Truckee Meadows Fire Protection District, Other Post Employee Benefits Trust, Western Regional Water Commission and Nevada Works. The cost of fees paid for investment management services is shared by these funds and agencies.

The size and complexity of the County's portfolio is sufficient to require a reasonably high level of portfolio management skills and resources. The County's portfolio benefits from the expertise and market knowledge that an investment management agreement provides by way of better diversification and enhanced return. Maintaining an investment management agreement allows for more active management of the portfolio by providing staff time and resources that would not otherwise be available.

The County first sought the services of an investment manager in 2004, at which time PFM Asset Management was engaged to oversee a portion of the portfolio. Over time management of the entire portfolio has been assigned to professional management, with the current agreement expiring April 27, 2017.

The fee structure for the recommended extension remains the same as the existing agreement:

Groups A and B – 8 basis points on first \$100 million of assets under management;
6 basis points on assets greater than \$100 million.
Group C 6 basis points on all assets under management.

Additional terms include:

- Beginning July 1, 2013, fees are billed quarterly at a rate of 85% of the annual rates noted above. If the total gross return on the portfolio meets or exceeds established benchmarks at the end of each annual period, the additional 15% will be billed and payable.
- If at any time economic conditions are such that the County must implement across the board cuts for budgetary purposes, the annual fee billed will be reduced by the same percentage for the same period.

FISCAL IMPACT

Estimated annual cost is \$315,000 which is allocated among the funds and agencies who participate in the Washoe County Investment Pool. Costs allocated to the General Fund are included in the current FY 2016/17 budget for Cost Center 113200 Account 710141.

RECOMMENDATION

It is recommended to approve a one year extension of the Investment Management Services agreement between Washoe County and PFM Asset Management LLC and Hobbs, Ong and Associates, Inc., and to authorize future renewal options to be executed by the Treasurer upon approval of the Washoe County Investment Committee. The estimated annual cost is [\$315,000] which is allocated among the funds and agencies who participate in the Washoe County Investment Pool.

POSSIBLE MOTION

Should the board agree with Committee's recommendation, a possible motion would be: to approve a one year extension of the Investment Management Services agreement between Washoe County and PFM Asset Management LLC and Hobbs, Ong and Associates, Inc., and to authorize future renewal options to be executed by the Treasurer upon approval of the Washoe County Investment Committee. The estimated annual cost is [\$315,000] which is allocated among the funds and agencies who participate in the Washoe County Investment Pool.

**SECOND AMENDMENT TO
INVESTMENT SERVICES AGREEMENT**

THIS SECOND AMENDMENT TO INVESTMENT SERVICES AGREEMENT, made as of April 27, 2017 (the "Second Amendment"), is entered into by and between WASHOE COUNTY, NEVADA, a political subdivision of the State of Nevada (hereinafter the "County"), PFM ASSET MANAGEMENT LLC (hereinafter "PFMAM"), and Hobbs, Ong & Associates, Inc. (hereinafter "Hobbs, Ong," and with PFMAM, collectively, the "Advisor").

WHEREAS, the County and the Advisor entered into an Investment Services Agreement dated as of April 23, 2013, but effective as specified therein (the "Original Agreement"); and

WHEREAS, the Original Agreement provided for an initial term to April 27, 2016, and annual renewal options thereafter; and

WHEREAS, pursuant to an Amendment to Investment Services Agreement, dated as of April 27, 2016 (the "First Amendment," and with the Original Agreement, the "Existing Agreement"), the County and the Advisor extended the term of the Original Agreement for an additional one year period, to April 27, 2017; and

WHEREAS, the County and the Advisor desire to renew and extend the Existing Agreement for an additional one-year period; and

WHEREAS, the Existing Agreement, as amended by this Second Amendment, is referred to as the "Agreement."

NOW, THEREFORE, the County and the Advisor, in consideration of the premises and mutual covenants herein contained, and intending to be legally bound, hereby agree as follows:

1. The parties hereby agree to extend the term of the Existing Agreement for an additional one-year period, to April 27, 2018.
2. Except as provided herein, all provisions of the Existing Agreement shall remain in full force and effect.


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IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be executed by their authorized representatives as of the date set forth in the first paragraph of this Second Amendment.

WASHOE COUNTY

PFM ASSET MANAGEMENT LLC

Chair, Washoe County Commission

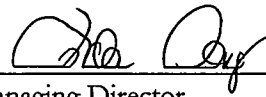


Managing Director

Attest:

HOBBS ONG & ASSOCIATES, INC.

Washoe County Clerk



Managing Director