

# CITY COUNCIL AGENDA ITEM COVER MEMO

Agenda Item Number \_\_\_\_\_

Meeting Type: Regular

Meeting Date: 1/9/2014

Action Requested By:  
Finance

Agenda Item Type  
Resolution

**Subject Matter:**

Investment Management Agreement

**Exact Wording for the Agenda:**

Resolution authorizing the Mayor to execute a investment management agreement with PFM Asset Management, LLC.

**Note: If amendment, please state title and number of the original**

Item to be considered for: Action

Unanimous Consent Required: No

Briefly state why the action is required; why it is recommended; what Council action will provide, allow and accomplish and; any other information that might be helpful.

PFM will serve as investment manager for some of the City's General Fund cash, providing advice and executing security trades at the direction of the City, for the purpose of improving interest earnings on available cash. Investments will be made in U.S. Treasury securities allowed by the City's investment code, and the securities will be held by an independent custodian with which the City will execute a contract in the future.

Associated Cost: approx 15,000

Budgeted Item: Yes

MAYOR RECOMMENDS OR CONCURS: Yes

Department Head: \_\_\_\_\_

Date: \_\_\_\_\_

## ROUTING SLIP CONTRACTS AND AGREEMENTS

Originating Department: Finance Council Meeting Date: 1/9/2014

Department Contact: Randy Taylor Phone # 5062

Contract or Agreement: Investment Management Agreement with PFM Asset Management, LLC

Document Name: 20140109 PFM Agreement.docx

City Obligation Amount: approx. 15,000

Total Project Budget: n.a.

Uncommitted Account Balance: n.a.

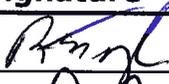
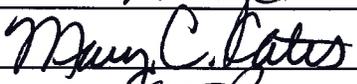
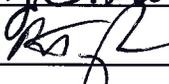
Account Number: 01-6900-0511-4404

### Procurement Agreements

<u>Not Applicable</u>	<u>Not Applicable</u>
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### Grant-Funded Agreements

<u>Not Applicable</u>	<b>Grant Name:</b> <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
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Department	Signature	Date
1) Originating		1/7/14
2) Legal		1/7/14
3) Finance		1/7/14
4) Originating		
5) Copy Distribution		
a. Mayor's office (1 copies)		
b. Clerk-Treasurer (Original & 2 copies)		

**RESOLUTION NO. 14-\_\_\_\_\_**

**BE IT RESOLVED** by the City Council of the City of Huntsville, Alabama, that the Mayor be, and he is hereby authorized to enter into an Agreement by and between the City of Huntsville and PFM Asset Management, LLC, on behalf of the City of Huntsville, a municipal corporation in the State of Alabama, which said agreement is substantially in words and figures similar to that certain document attached hereto and identified as "AGREEMENT BETWEEN THE CITY OF HUNTSVILLE AND PFM ASSET MANAGEMENT, LLC" consisting of six (6) pages and the date of January 9, 2014, appearing on the margin of the first page, together with the signature of the President or President Pro Tem of the City Council, an executed copy of said document being permanently kept on file in the Office of the City Clerk-Treasurer of the City of Huntsville, Alabama.

**ADOPTED** this the 9th day of January, 2014.

\_\_\_\_\_  
President of the City Council  
Of the City of Huntsville,  
Alabama

**APPROVED** this the 9th day of January, 2014.

\_\_\_\_\_  
Mayor of the City of Huntsville,  
Alabama

**AGREEMENT BETWEEN  
THE CITY OF HUNTSVILLE  
AND PFM ASSET MANAGEMENT, LLC**

STATE OF ALABAMA            )  
COUNTY OF MADISON        )

**THIS AGREEMENT** is made and entered into on the 9th day of January, 2014, by and between City of Huntsville, Alabama, a municipal corporation in the State of Alabama ("City") and PFM ASSET MANAGEMENT LLC, a Delaware limited liability company with an office in Arlington, Virginia (hereinafter the "Advisor").

**WHEREAS**, the City has funds available for investment purposes (the "Initial Funds") for which it intends to conduct an investment program; and

**WHEREAS**, the City desires to avail itself of the experience, sources of information, advice, assistance and facilities available to the Advisor; to have the Advisor undertake certain duties and responsibilities; and to perform certain services as investment advisor on behalf of the City, as provided herein; and

**WHEREAS**, the Advisor is willing to provide such services on the terms and conditions hereinafter set forth;

**NOW, THEREFORE**, in consideration of the premises and mutual covenants herein contained, the parties hereto, intending to be legally bound, agreed as follows:

1.    **SERVICES OF ADVISOR.**

The City hereby engages the Advisor to serve as investment advisor under the terms of this Agreement with respect to the Initial Funds and such other funds as the City may from time to time assign by written notice to the Advisor (collectively the "Managed Funds"), and the Advisor accepts such engagement. In connection therewith, the Advisor will provide investment research and supervision of the Managed Funds investments and conduct a continuous program of investment, evaluation and, when appropriate, sale and reinvestment of the Managed Funds assets. The Advisor shall continuously monitor investment opportunities and evaluate investments of the Managed Funds. The Advisor shall furnish the City with statistical information and reports with respect to investments of the Managed

Agreement between the City of Huntsville and  
PFM Asset Management, LLC by Resolution No.  
14- \_\_\_\_\_ adopted and approved on January 9,  
2014.

\_\_\_\_\_  
President of the City Council  
of the City of Huntsville, Alabama

Funds. The Advisor shall place all orders for the purchase, sale, loan or exchange of portfolio securities for the City's account with brokers or dealers recommended by the Advisor and/or the City, and to that end the Advisor is authorized as agent of the City to give instructions to the custodian designated by the City (the "Custodian") as to deliveries of securities and payments of cash for the account of the City. In connection with the selection of such brokers and dealers and the placing of such orders, the Advisor is directed to seek for the City the most favorable execution and price, the determination of which may take into account, subject to any applicable laws, rules and regulations, whether statistical, research and other information or services have been or will be furnished to the Advisor by such brokers and dealers. The Custodian shall have custody of cash, assets and securities of the City. The Advisor shall not take possession of or act as custodian for the cash, securities or other assets of the City and shall have no responsibility in connection therewith. Authorized investments shall include only those investments which are currently authorized by the state investment statutes and applicable covenants and as supplemented by such other written instructions as may from time to time be provided by the City to the Advisor. The Advisor shall be entitled to rely upon the City's written advice with respect to anticipated drawdowns of Managed Funds. The Advisor will observe the instructions of the City with respect to broker/dealers who are approved to execute transactions involving the Managed Funds and in the absence of such instructions will engage broker/dealers which the Advisor reasonably believes to be reputable, qualified and financially sound.

2. COMPENSATION.

(a) For services provided by the Advisor pursuant to this Agreement, the City shall pay the Advisor an annual fee, in monthly installments, based on the daily net assets under management according to the schedule below:

<u>Average Assets Under Management Fees</u>	
Initial \$25 million	10 basis points (0.10%)
Next \$25 million	8 basis points (0.08%)
Above \$50 million	7 basis points (0.07%)

The minimum annual fee is \$15,000.

(b) The Advisor will bill the City monthly for service performed under this Agreement, said bill to include a statement indicating the basis upon which the fee was calculated. The City shall pay to the Advisor the amount payable pursuant to this Agreement not later than on the 15th day of the month following the month during which the Advisor's statement was rendered.

(c) Assets invested by the Advisor under the terms of this Agreement may from time to time be invested in a money market mutual fund or local government investment pool managed by the Advisor (either, a "Pool"), or in individual securities. Average daily net assets subject to the fees described in this section shall not take

into account any funds invested in the Pool. Expenses of the Pool, including compensation for the Advisor and the Pool custodian, are described in the relevant prospectus or information statement and are paid from the Pool.

(d) If and to the extent that the City shall request the Advisor to render services other than those to be rendered by the Advisor hereunder, such additional services shall be compensated separately on terms to be agreed upon between the Advisor and the City.

### 3. EXPENSES.

(a) The Advisor shall furnish at its own expense all necessary administrative services, office space, equipment, clerical personnel, telephone and other communication facilities, investment advisory facilities, and executive and supervisory personnel for managing the Managed Funds.

(b) Except as expressly provided otherwise herein, the City shall pay all of its own expenses including, without limitation, taxes, commissions, fees and expenses of the City's independent auditors and legal counsel, if any, brokerage and other expenses connected with the execution of portfolio security transactions, insurance premiums, and fees and expenses of the Custodian.

### 4. REGISTERED ADVISOR; DUTY OF CARE.

The Advisor hereby represents it is a registered investment advisor under the Investment Advisers Act of 1940, as amended. The Advisor shall immediately notify the City if at any time during the term of this Agreement it is not so registered or if its registration is suspended. The Advisor agrees to perform its duties and responsibilities under this Agreement with reasonable care. The federal securities laws impose liabilities under certain circumstances on persons who act in good faith. Nothing herein shall in any way constitute a waiver or limitation of any rights which the City may have under any federal securities laws. The City hereby authorizes the Advisor to sign I.R.S. Form W-9 on behalf of the City and to deliver such form to broker-dealers or others from time to time as required in connection with securities transactions pursuant to this Agreement.

### 5. ADVISOR'S OTHER CLIENTS.

The City understands that the Advisor performs investment advisory services for various other clients which may include investment companies, commingled trust funds and/or individual portfolios. The City agrees that the Advisor, in the exercise of its professional judgment, may give advice or take action with respect to any of its other clients which may differ from advice given or the timing or nature of action taken with respect to the Managed Funds. The Advisor shall not have any obligation to purchase, sell or exchange any security for the Managed Funds solely by reason of the fact that the Advisor, its principals, affiliates, or employees may

purchase, sell or exchange such security for the account of any other client or for itself or its own accounts.

6. TERM.

This Agreement shall terminate on December 31, 2016, and it may be terminated by the City in the event of any material breach of its terms immediately upon notice by certified mail, return receipt requested. This Agreement may be terminated by the City at any time, on not less than thirty (30) days' written notice to the Advisor. The Advisor may terminate this Agreement immediately upon any material breach of its terms by the City, or at any time after one year upon thirty (30) days' written notice to the City.

7. FORCE MAJEURE.

The Advisor shall have no liability for any losses arising out of the delays in performing or inability to perform the services which it renders under this Agreement which result from events beyond its control, including interruption of the business activities of the Advisor or other financial institutions due to acts of God, acts of governmental authority, acts of war, terrorism, civil insurrection, riots, labor difficulties, or any action or inaction of any carrier or utility, or mechanical or other malfunction.

8. DISCIPLINARY ACTIONS.

The Advisor shall promptly give notice to the City if the Advisor shall have been found to have violated any state or federal securities law or regulation in any final and unappealable judgment in any criminal action or civil suit in any state or federal court or in any disciplinary proceeding before the Securities and Exchange Commission or any other agency or department of the United States, any registered securities exchange, the Financial Industry Regulatory Authority, or any regulatory authority of any State based upon the performance of services as an investment advisor.

9. INDEPENDENT CONTRACTOR.

The Advisor, its employees, officers and representatives shall not be deemed to be employees, agents (except as to the purchase or sale of securities described in Section 1), partners, servants, and/or joint ventures of the City by virtue of this Agreement or any actions or services rendered under this Agreement.

10. BOOKS.

The Advisor shall maintain records of all transactions in City's Managed Funds. The Advisor shall provide the City with a monthly statement showing deposits, withdrawals, purchases and sales (or maturities) of investments, earnings received, and the value of assets held on the last business day of the month. The statement shall be in the format and manner that is mutually agreed upon by the Advisor and the City.

11. THE ADVISOR'S BROCHURE AND BROCHURE SUPPLEMENT.

The Advisor warrants that it has delivered to the City prior to the execution of this Agreement the Advisor's current

Securities and Exchange Commission Form ADV, Part 2A (brochure) and Part 2B (brochure supplement). The City acknowledges receipt of such brochure and brochure supplement prior to the execution of this Agreement.

12. MODIFICATION.

This Agreement shall not be changed, modified, terminated or discharged in whole or in part, except by an instrument in writing signed by both parties hereto, or their respective successors or assigns.

13. SUCCESSORS AND ASSIGNS.

The provisions of this Agreement shall be binding on the Advisor and its successors and assigns, provided, however, that the rights and obligations of the Advisor may not be assigned without the consent of the City.

14. NOTICE.

Written notices required under this Agreement shall be sent by regular mail, certified mail, overnight delivery or courier, and shall be deemed given when received at the parties' respective addresses shown below. Either party must notify the other party in writing of a change in address.

City's Address  
City of Huntsville  
Finance Director  
308 Fountain Circle  
Huntsville, AL 35801

With copy to:  
City of Huntsville  
Clerk-Treasurer  
308 Fountain Circle  
Huntsville, AL 35801

Advisor's Address  
PFM Asset Management LLC  
4350 North Fairfax Drive  
Suite 580  
Arlington, VA 22203-1636  
Attn: Nelson L. Bush

With copy to:  
PFM Asset Management LLC  
Two Logan Square, Suite 1600  
18th & Arch Streets  
Philadelphia, PA 19103-2770  
Attn: Controller

15. APPLICABLE LAW.

This Agreement shall be construed, enforced, and administered according to the laws of the State of Alabama. The Advisor and the City agree that, should a disagreement arise as to the terms or enforcement of any provision of this Agreement, each party will in good faith attempt to resolve said disagreement prior to filing a lawsuit.

16. EXECUTION AND SEVERABILITY.

Each party to this Agreement represents and warrants that the person or persons signing this Agreement on behalf of such party is authorized and empowered to sign and deliver this Agreement for such party. The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the day and year first above written.

\_\_\_\_\_  
PFM ASSET MANAGEMENT, LLC

Name: Nelson L. Bush  
Title: Managing Director

**CITY OF HUNTSVILLE, ALABAMA**  
a municipal corporation

BY: \_\_\_\_\_  
Tommy Battle  
ITS: Mayor

ATTEST:

BY: \_\_\_\_\_  
Charles E. Hagood  
ITS: Clerk-Treasurer