



Staff Report Item 23

TO: Ava Community Energy Authority Board of Directors

FROM: Jason Bartlett, Senior Finance Manager

SUBJECT: **Approval for Agreement for Treasury Management Services with PFM Asset Managers**

DATE: March 20, 2024

Recommendation

Adopt a resolution authorizing the CEO to negotiate and execute an agreement with PFM Asset Managers to provide treasury management consulting services.

Background and Discussion

In November 2023, the Board of Directors (the Board), approved the allocation of an additional \$75 million to the reserve funds, bringing the balance of reserves to approximately \$231 million. At the end of the current fiscal year, Ava is expecting to contribute an additional \$100 million to reserves. Traditionally, these reserves have been held in interest bearing accounts at River City Bank. However, with this latest addition, the amount has become too large to manage internally and now warrants professional oversight and allocation into safe, liquid instruments.

In the last quarter of 2023, staff conducted a request for proposals (RFP) for qualified fiduciaries to perform treasury management services of Ava's reserve funds. Four firms submitted responses: Chandler Asset Managers, PFM Asset Managers (PFMAM), PNC Financial Services, and Raymond James. All proposals were reviewed and the top two scoring responders were interviewed in person.

Evaluations were based upon the following groups of criteria (not in order of any preference or weight):

- Experience & Qualifications
- Compliance & Controls
- Approach to Treasury Management
- Client Services & Reporting
- Quality of References
- Cost/Pricing
- Additional Supporting Filings & Documentation

PFMAM scored the highest in both the proposal review and the interview stages and is the staff selection for treasury management.

PFMAM comes with a highly impressive track record of providing quality, fiduciary management services to over 180 California government clients over the last 43 years. They currently manage about \$214.9 billion assets including the California Asset Manage Program (CAMP), which is the second largest public investment pool in the State behind the Local Agency Investment Fund (LAIF). They manage \$565 million for seven public energy agencies and CCA's, including Peninsula Clean Energy and Silicon Valley Clean Energy. They are also advisors for multiple Ava constituents, including the City of Albany, City of Fremont, and the City of Hayward. PFMAM is also an original sponsor of CalCCA.

The lead advisor, Monique Spyke, has been with PFMAM over 20 years and has a team of six supporting staff members with over 100 years of combined financial management experience.

PFMAM's approach to treasury management covers an extensive process of review, selection, and measurement. All investments are reviewed by a committee prior to execution and are overseen by PFMAM's CIO. All mandates are monitored weekly and compliance checks are done daily. PFMAM advocates a "culture of compliance" with automated protocols checks, pre-and-post-trade reviews, and full reporting transparency.

Additionally, PFMAM provides the following advantages that put them above their competitors:

- Works primarily with US Bank, where Ava holds its credit facility, but has working relationships with about 20 custodians in all to allow for portability of accounts if required;
- Committed to Socially Responsible Investing (SRI) on behalf of municipal clients, can customize investment policy to Ava's preferences, and can leverage full ESG management;

- Offers full reporting and client services suite, including presenting to the Board on a quarterly basis;
- Fully compliant with all SEC regulations, filings, and protocols since inception;
- Delivered a very competitive bid.

The scope of work for treasury management services will include but not be limited to the following areas of support to staff:

- Work with staff to develop a comprehensive and inclusive investment policy
- Continuous assessment of investments with regards to Federal and State regulations and Ava Board approved investment policy
- Assess market risk of investments and provide regular reporting for staff and Board

The treasury manager will not have direct access to any Ava accounts, but will track, report, and advise on investment balances, transactions, returns, and benchmarks. Reserve funds are expected to be housed with Ava's selected custodian, US Bank, where Ava currently holds a \$200 million credit facility.

Fiscal Impact

The estimated cost for PFMAM's fiduciary and treasury management services is approximately \$150,850 per year with the current reserve balance of \$231 million. Costs would increase by \$35,000 per year per \$100 million of additional reserve amounts (3.5 basis points, or 0.035%, or \$0.00035 per dollar).

Committee Recommendation

The Finance, Administrative, and Procurement (FAP) subcommittee has reviewed this item and has approved it to be brought to the Board of Directors.

Attachments

- A. Resolution to Approve PFMAM for Treasury Management Services

RESOLUTION NO. R-2024-XX
A RESOLUTION OF THE BOARD OF DIRECTORS
OF AVA COMMUNITY ENERGY AUTHORITY AUTHORIZING THE CEO TO
NEGOTIATE AND EXECUTE AN AGREEMENT WITH PFM ASSET MANAGERS

WHEREAS The Ava Community Energy Authority (“Ava”) was formed as a community choice aggregation agency (“CCA”) on December 1, 2016, Under the Joint Exercise of Power Act, California Government Code sections 6500 *et seq.*, among the County of Alameda, and the Cities of Albany, Berkeley, Dublin, Emeryville, Fremont, Hayward, Livermore, Piedmont, Oakland, San Leandro, and Union City to study, promote, develop, conduct, operate, and manage energy-related climate change programs in all of the member jurisdictions. The cities of Newark and Pleasanton, located in Alameda County, along with the City of Tracy, located in San Joaquin County, were added as members of Ava and parties to the JPA in March of 2020. The city of Stockton, located in San Joaquin County was added as a member of Ava and party to the JPA in September of 2022. The city of Lathrop, located in San Joaquin County, was added as a member to Ava and party to the JPA in October of 2023. On October 24, 2023, the Authority legally adopted the name Ava Community Energy Authority, where it had previously used the name East Bay Community Energy Authority since its inception.

WHEREAS Ava seeks treasury management support with investing reserve funds and other retired working capital.

WHEREAS Ava issued a Request for Proposals for Treasury Management Services in October 2023 and received a conforming bid from PFM Asset Managers.

WHEREAS Ava has negotiated the scope, timeline, goals, and cost to begin services.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF AVA COMMUNITY ENERGY AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The CEO is hereby authorized to negotiate and execute an Agreement for Treasury Management Services with PFM Asset Managers.

ADOPTED AND APPROVED this 20th day of March, 2024.

Jack Balch, Chair

ATTEST:

Adrian Bankhead, Clerk of the Board