



Washoe County Board of Commissioners Appeal

RE: Notice of Recommendation and Intent to Award

RFP Number: 3129-20 for Investment Services

September 11, 2020

PFM Asset
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Provided per the Investment Committee's request on August 5, 2020



Request and Background

Request:

- We request that the County honor the first Notice of Recommendation and Intent to Award letter dated July 22, 2020, which named PFM as the winning bidder, or reject all proposals received.

Background:

- PFM received the **highest technical score** and the decision to recall the award of contract to PFM turned **solely on our cost score**, which impacted our total score.
- July 22, 2020: The County posted a Notice of Recommendation and Intent to Award letter which identified PFM as the “**best responsive, responsible option**.”
- July 29, 2020: PFM contacted the County under the belief we had been rehired and learned that the letter was sent in error by the Purchasing and Contracts Division. The Purchasing and Contracts Division subsequently posted the revised award to the County’s procurement site (DemandStar).
- August 4, 2020: PFM submitted an appeal to the County’s Purchasing and Contracts Manager regarding the pending proposal award of this contract to Government Portfolio Advisors (“GPA”).
- August 5, 2020: The County’s Investment Committee agenda for August 5, 2020 (the last day of the appeal period), included an action item to recommend the award agreement to the new investment advisor.
- August 18, 2020: The Purchasing and Contracts Manager rejected PFM’s appeal.



Basis of Protest (1)

Pricing Disadvantage and Potential for “Last-Look” Bidding

<i>PFM Appeal to Procurement</i>	<ul style="list-style-type: none">• County disclosed its current fee structure with PFM in RFP Amendment 1.• Each proposer therefore had an opportunity to discount their fee schedule relative to PFM, placing PFM at a competitive disadvantage.• County’s decision to forego a “Best and Final Offer” phase eliminated any opportunity for PFM to equally compete with advantaged fee proposals.
<i>Procurement Response</i>	<ul style="list-style-type: none">• Stated appeal did not specify how the applicable provisions of law were violated.• Further stated, “Your first contention about a pricing disadvantage is not upheld because a contract with the County is public record, and your prior contract could have been viewed by anyone after its inception.”
<i>PFM Appeal to Commission</i>	<ul style="list-style-type: none">• The County disclosed its fee structure with PFM during the RFP process, and we believe the other proposers took the opportunity to discount their fees relative to PFM’s fees.• We believe we were unfairly disadvantaged, and our basis for this belief is grounded in NRS 332.820(2).*

*NRS 332.820(2): Advance disclosures of proprietary information or any other information to any particular responding offeror which would give that particular responding offeror any advantage over any other interested responding offeror in advance of the opening of responses, whether in response to advertising or an informal solicitation, made or permitted by a member of the governing body or an employee or representative thereof, shall operate to void all responses received in response to that particular solicitation.



Basis of Protest (2)

Fiscal Best Interest	
<i>PFM Appeal to Procurement</i>	<ul style="list-style-type: none">• PFM received the highest technical score which, in our view, should make us the most qualified bidder.• Investment management services costs should be considered in the context of investment return represented by performance track record.
<i>Procurement Response</i>	<ul style="list-style-type: none">• County must evaluate the Proposals on what was submitted by the Proposers on the submittal date to be able to determine a score.• “PFM did not submit the best price, which affected the overall score.”
<i>PFM Appeal to Commission</i>	<ul style="list-style-type: none">• PFM’s cost proposal dated June 18, 2020, included the following language: “Although we are proposing to continue to serve the County under the current fee structure, PFM will consider any compensation structure that the County and its Board feel will provide fair value for both parties.”• We do not believe this concession was considered in the evaluation of our cost proposal, which in our opinion, should have formed a part of the evaluation.• The performance track records provided by PFM and GPA showed that PFM’s strategy is expected to provide significant incremental return on investment, greatly outweighing our slightly higher fees relative to GPA.*

*See Appendix for detailed information on performance.



Basis of Protest (3)

Procurement Process

PFM Appeal to Commission

- We believe that we may have been disadvantaged during this appeal process by the timeline of events.
- The revised award letter dated July 23, 2020, that named GPA, was not posted to the County's procurement site (DemandStar) until July 29, 2020—six (6) calendars days after the first letter naming PFM was posted.
- The RFP permits appeals during a seven (7) calendar day window.
- An action item to recommend the award agreement to GPA at the August 5, 2020 Investment Committee meeting was in violation of the County's appeal procedure.



Summary

- ◆ PFM has proudly served as the County's investment manager for the past 15 years, and we believe the County has been a well-served and satisfied client for the entirety of our relationship.
- ◆ PFM received the highest technical score which, in our view, should make us the most qualified bidder.
- ◆ We appreciate the Board of Commissioners' careful review of this appeal and again request that the County honor the first Notice of Recommendation and Intent to Award letter dated July 22, 2020, which named PFM as the winning bidder or reject all proposals received.



Summary of Original Appeal to Procurement

- On August 4, 2020, PFM submitted an appeal to the County's Purchasing and Contracts Manager regarding the pending proposal award of this contract to Government Portfolio Advisors ("GPA").
 - This appeal was made in accordance with NRS 332 and the procedures provided within the Request for Proposal ("RFP") document.
 - PFM posted the required bond amount of \$250,000.
- Basis of the Appeal to Procurement
 - **Pricing Disadvantage and Potential for "Last-Look" Bidding** – The County disclosed its current fee structure with PFM in RFP Amendment #1. Each proposer therefore had an opportunity to discount their fee schedule relative to PFM, placing PFM at a competitive disadvantage. Further, the County's decision to forego a "Best and Final Offer" phase eliminated any opportunity for PFM to equally compete with advantaged fee proposals.
 - **Absence of Criteria Weighting** – Respondents were not made aware of scoring for pricing and other factors weighted during the evaluation process.
 - **Fiscal Best Interest** – For investment advisory services, cost should be considered in the context of the performance. An investment advisor's invoiced fee is only one factor in determining the fiscal best interest of the County. PFM structures our fees to be fair and competitive while accounting for the costs associated with the expertise and value delivered to our clients—both qualitatively through our suite of integrated services, and quantitatively through our competitive history of portfolio performance.



Appendix: Performance Review

Provided per the Board's request on August 5, 2020



Performance Review

Prepared for the Washoe County Board of Commissioners

Provided per the Investment Committee's request on August 5, 2020

September 11, 2020

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PFM Asset Management LLC

	Average Annual Return (Periods Ending December 31, 2019)		
	1 Year	3 Year	5 Year
Representative – Intermediate Strategy¹	4.54%	2.39%	1.92%
Estimated Market Value Earnings (\$387.5 million) ²	\$17,593,309	\$9,261,676	\$7,440,342
Annual Advisory Fee ³	(\$302,000)	(\$302,000)	(\$302,000)
<i>Net Market Value Earnings</i>	\$17,291,309	\$8,959,676	\$7,138,342

1. Strategy represented by PFM's 1-5 Year Fixed Income Composite. Full composite attached.

2. Market value earnings calculated based on multiplying \$387,517,817 (the Washoe Group B portfolio market value as of December 31, 2019) by the average annual return.

3. PFM advisory fees for fiscal year ended 2020.



Government Portfolio Advisors

	Average Annual Return (Periods Ending December 31, 2019)		
	1 Year	3 Year	5 Year
Representative – Intermediate Strategy¹	4.03%	2.17%	1.69%
Estimated Market Value Earnings (\$387.5 million) ²	\$15,616,968	\$8,413,724	\$6,549,380
Annual Advisory Fee ³	(\$260,000)	(\$260,000)	(\$260,000)
Net Market Value Earnings	\$15,356,968	\$8,153,724	\$6,289,380

1. Source: Government Portfolio Advisors, LLC Annual Disclosure Presentations. Strategy represented by GPA's Intermediate Treasury Plus Composite.
2. Market value earnings calculated based on multiplying \$387,517,817 (the Washoe Group B portfolio market value as of December 31, 2019) by the average annual return.
3. Fee information sourced from the Washoe County August 5, 2020 Investment Committee meeting.



PFM Asset Management LLC

	Average Annual Return (Periods Ending December 31, 2019)		
	1 Year	3 Year	5 Year
Representative – 60% Intermediate/40% Long¹	4.99%	2.60%	2.08%
Estimated Market Value Earnings (\$387.5 million) ²	\$19,337,139	\$10,075,463	\$8,060,371
Annual Advisory Fee ³	(\$302,000)	(\$302,000)	(\$302,000)
Net Market Value Earnings	\$19,035,139	\$9,773,463	\$7,758,371

1. Strategy represented by 60% of the return of PFM's 1-5 Year Fixed Income Composite and 40% of PFM's 1-10 Year Fixed Income Composite. Full composite attached.
2. Market value earnings calculated based on multiplying \$387,517,817 (the Washoe Group B portfolio market value as of December 31, 2019) by the average annual return.
3. PFM advisory fees for fiscal year ended 2020.



Government Portfolio Advisors

	Average Annual Return (Periods Ending December 31, 2019)		
	1 Year	3 Year	5 Year
Representative – 60% Intermediate/40% Long¹	4.17%	2.27%	1.81%
Estimated Market Value Earnings (\$387.5 million) ²	\$16,159,493	\$8,796,654	\$7,014,072
Annual Advisory Fee ³	(\$260,000)	(\$260,000)	(\$260,000)
Net Market Value Earnings	\$15,899,493	\$8,536,654	\$6,754,072

1. Source: Government Portfolio Advisors, LLC Annual Disclosure Presentations. Strategy represented by 60% of the return of GPA's Intermediate Treasury Plus Composite and 40% of GPA's Long Agency Composite.
2. Market value earnings calculated based on multiplying \$387,517,817 (the Washoe Group B portfolio market value as of December 31, 2019) by the average annual return.
3. Fee information sourced from the Washoe County August 5, 2020 Investment Committee meeting.



Disclosures

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