



September 11, 2020

Bob Lucey
Chair, Washoe County Board of Commissioners
BLucey@washoecounty.us

RE: Notice of Recommendation and Intent to Award RFP Number: 3129-20 for
Investment Services

pfm

50 California Street
Suite 2300
San Francisco, CA 94111
415.982.5544

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Dear Mr. Lucey:

On behalf of PFM Asset Management LLC ("PFM"), I am requesting that this letter serves as an appeal to the award of a contract from RFP Number 3129-20, and requesting that the Washoe County ("County") Board of Commissioners (the "Board") conduct a review of the procurement and award process in accordance with NRS 332 and the appeal procedures set forth in the RFP. 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.

On July 23, 2020, PFM gladly accepted rehire as the County's investment advisor, as evidenced by the receipt of a Notice of Recommendation and Intent to Award letter, dated July 22, 2020, which identified PFM as the **"best responsive, responsible option."** Unfortunately, and to our great disappointment, we learned a week later, on July 29, 2020, that the Purchasing and Contracts Division had revised the award, and this had not yet been reflected on the County's procurement site (DemandStar). We were also informed by the Purchasing and Contracts Division Manager ("Manager") and Purchasing and Contracts Division personnel that PFM received the **highest technical score** and that the decision to recall the award of contract to PFM turned **solely on our cost score**, which impacted our total score.

On August 4, 2020 we submitted an appeal to the Manager, which was rejected. We are therefore appealing the Manager's decision to the Commission. Our basis for our initial appeal, and which we would like to bring to the Commission's attention for consideration, focused on the following principles:

- **Pricing Disadvantage and Potential for "Last-Look" Bidding** – We believe we were unfairly disadvantaged regarding our pricing, and the absence of an opportunity for an equal review of fees.¹ The County disclosed its fee structure

¹Our basis for this belief is grounded in NRS 332.820(2), which states, "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." We believe this law does not make any distinction between public information, but rather any information.



with PFM during the RFP process, and we believe the other proposers took the opportunity to discount their fees relative to PFM's fees, thereby putting us at a competitive disadvantage. The County decided to forego a "Best and Final Offer" phase and that eliminated any opportunity for PFM to equally compete with advantaged fee proposals.

Therefore, we believe our appeal on the basis of Pricing Disadvantage and Potential for "Last-Look" Bidding (described in our appeal dated August 4, 2020) should be upheld.

- **Fiscal Best Interest** – PFM received the highest technical score which, in our view, should make us the most qualified bidder. Further, in our proposal, dated June 18, 2020, we clearly stated, "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, especially ***given the importance of considering investment management services costs in the context of investment return represented by performance track record***. In other words, the cost score should have been weighted by performance and the fact it was not seems to have unduly impacted our total score. Moreover, it is our view that our performance track record as provided in the RFP process reflected what would amount to a significant incremental return on investment to the County. We believe that overall investment returns, ***net of fees***, would be most beneficial to the County during the continued course of an engagement with an investment manager.
- **Procurement Process** – We believe that we have also been disadvantaged during the procurement and appeal process by the timeline of events. PFM operated under the belief that we had been rehired as the County's investment advisor for a full six (6) calendar days until we learned otherwise. It was not until we reached out to the County as part of our typical relationship communication that we learned there was an error, which ultimately prompted the Purchasing and Contracts Division to post the revised award letter within the County's procurement site (DemandStar). This was detrimental to PFM as the RFP appeals process only permitted appeals within a seven (7) calendar day window after an award.

Moreover, during the appeal window, the County was moving forward with award actions. The County's procurement process requires that in the event of a protest, any award actions be stayed until after the Purchasing and Contracts Manager has responded in writing to such protest:



Washoe County will stay any award actions until after the Purchasing and Contracts Manager has responded in writing to the protest. If the appellant is not satisfied with the response, appellant may then protest to the Washoe County Board of Commissioners, who will render a final decision for the County. No Proposal protests will be heard by the Board of Commissioners unless the Proposal has followed the appeal process.

However, 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. We view this recommendation, prior to the resolution of the appeal, as a violation of the County's procurement and appeal procedure, and one that we believe further unfairly harmed us.

Given all of the information set forth above, 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. Please contact me if you have any questions.

Sincerely,

Monique Spyke
Managing Director
spykem@pfm.com
415-393-7259

Enclosures (2):

1. Initial Appeal
2. Performance Review (per the Investment Committee's request on August 5, 2020)

Enclosures (2)



August 4, 2020

Mark Stewart
Purchasing and Contracts Manager
Washoe County Purchasing Division
1001 E. Ninth Street, Building D, Ste. 200
Reno, NV 89512-2845

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RE: Notice of Recommendation and Intent to Award RFP Number: 3129-20 for
Investment Services

Dear Mr. Stewart:

On behalf of PFM Asset Management LLC ("PFM"), I am appealing the pending proposal award of Washoe County (the "County") to Government Portfolio Advisors ("GPA"). This appeal is made in accordance with NRS 332 and the procedures provided within the request for proposal document, as a result of the revised award posted to the County's procurement site (DemandStar) on July 29, 2020. PFM has posted the required bond amount of \$250,000.

On July 23, 2020, PFM received the first Notice of Recommendation and Intent to Award letter dated July 22, 2020 which named PFM as the winning bidder. PFM now seeks the review and appropriate correction of the award for investment advisory services. Our appeal is based on the following issues to be addressed and resolved:

- **Pricing Disadvantage and Potential for "Last-Look" Bidding** – The County disclosed its current fee structure with PFM in RFP Amendment #1 dated June 5, 2020. Each proposer therefore had an opportunity to discount their fee schedule relative to PFM, placing PFM at 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** – In addition the pricing disadvantage, respondents were not made aware of scoring for pricing and other factors weighted during the evaluation process. The County stated in its Notice of Recommendation and Intent to Award letter dated July 23, 2020 that it used weighted scoring; however, the RFP did not disclose the weighting scale for factors considered, including pricing.
- **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. We request that the County review fees in the context of performance. 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.

Never taking PFM's 16-year relationship with the County for granted, we put our best foot forward during this procurement process and received the highest technical score; however, the cost score negatively and unduly impacted our total score. Fees were not questioned or presented as a topic of concern by panelists during our interview presentation on July 17, 2020. If it had been, we would have confirmed PFM's willingness to negotiate or reduce fees as we have done in the past during times of fiscal stress.

This appeal requests that the County consider these factors and requests 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. We welcome the opportunity to undertake a review of our fee structure with the County or participate in a 'best and final offer' phase with other finalists to preserve our longstanding relationship.

Please contact me if you have any questions.

Sincerely,

Monique Spyke
PFM Asset Management LLC
Managing Director
spykem@pfm.com
415.393.7259



Performance Review

Prepared for the Washoe County Board of Commissioners

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

September 11, 2020

PFM Asset
Management LLC

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- PFM Asset Management LLC Composite Presentation
- GPA Annual Disclosure Presentations



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)
Net Market Value Earnings	\$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)
<i>Net Market Value Earnings</i>	\$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

This material is based on information obtained from sources generally believed to be reliable and available to the public, however PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some but not all of which are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.