
City of Pembroke Pines

Investment Management Services

RFP #FN-18-02

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ABOUT PFM

PFM is the marketing name for a group of affiliated companies providing a range of services. All services are provided through separate agreements with each company. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation.

Investment advisory services are provided by PFM Asset Management LLC which is registered with the Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940. Financial advisory services are provided by PFM Financial Advisors LLC and Public Financial Management, Inc. Both are registered municipal advisors with the SEC and the Municipal Securities Rulemaking Board (“MSRB”) under the Dodd-Frank Act of 2010. Swap advisory services are provided by PFM Swap Advisors LLC which is registered as a municipal advisor with both the MSRB and SEC under the Dodd-Frank Act of 2010, and as a commodity trading advisor with the Commodity Futures Trading Commission. Additional applicable regulatory information is available upon request.

Consulting services are provided through PFM Group Consulting LLC. Institutional purchasing card services are provided through PFM Financial Services LLC. PFM’s financial modeling platform for strategic forecasting is provided through PFM Solutions LLC.

For more information regarding PFM’s services or entities, please visit www.pfm.com.



October 9, 2018

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City of Pembroke Pines
City Hall Administration Building,
4th Floor Conference Room
601 City Center Way
Pembroke Pines, FL 33025

pfm

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Suite 1170
Orlando, FL 32801

407.648.2208
pfm.com

RE: RFP FN-18-02 for Investment Management Services

Dear Sir or Madame:

PFM¹ welcomes the opportunity to submit our proposal to provide investment management services to the City of Pembroke Pines (the "City"). We understand that the City is seeking an advisor to provide investment management services for its short and long term portfolios and be a general resource for its treasury operations.

As outlined in its scope of services, the City faces several challenges in investing its funds. With constrained resources, the City must manage the liquidity of its portfolio which is simultaneously impacted by its operating cash flow needs and changing market conditions. Additionally, the City has faced a persistently low interest-rate environment that has limited investment yields. The gradual pace of interest rate increases generally expected of the Federal Reserve may improve yields but will necessitate managing the volatility in market values for the longer term investments in the City's portfolio.

We believe we have a unique team to assist the City in addressing these challenges and meeting the requirements of its request for investment advisory services:

- **Complete Treasury Assistance** PFM understands that the needs of the City go beyond just investment management to a benchmark. We can not only manage the City's assigned portfolio but also provide assistance with evaluation of liquid investment options, general banking & treasury services analysis, GASB 40 & 72 footnote assistance, and extensive investment training to name a few.
- **Innovative Solutions** The breadth of our Florida local government client base and our knowledge of state statutes have allowed us to develop unique investment strategies for government clients. These have ranged from structured bond

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proceeds strategies to inflation hedged multi-asset portfolio structures for surplus funds.

- **Commitment to the Florida Public Sector.** Our professionals began working with the Florida public sector in 1987, and for the past 29 years we have managed fixed income portfolios for our Florida clients, as well as assisting with banking and custody services analyses, cash flow analyses and other services as requested by clients. Our Orlando office manages or advises on over \$9.3 billion in public-sector assets for 85 Florida clients as of June 30, 2018. We have worked to build a strong reputation serving public entities.
- **Expertise on Florida Legislation.** The proposed Engagement Manager for the City, Managing Director Steven Alexander, CTP, CGFO, CPPT, helped author Florida's Investment Policy Chapter 218.415, Florida Statutes, which stresses the safety of public investment funds.
- **Experienced Team of Investment Professionals.** We believe our commitment to the public sector is reflected by the quality of resources and staff we bring to each engagement. We are committed to providing the highest level of service to the City. Steven Alexander, CTP, CGFO, CPPT, Managing Director, and Richard Pengelly, CFA, CTP, Director, have nearly 50 years of combined experience—the majority of which have been spent providing these same services to public entities. These individuals are supported by 233 professionals dedicated to all aspects of investing public funds, including a 14-person public-sector trading desk and a 13-person governmental accounting group (as of June 30, 2018). The City will have access to our wide range of services.
- **Independence From Broker-Dealers.** Our firm was founded on the principle of providing sound, independent investment advice to the public sector. We are not brokers or dealers who profit from selling securities, and we maintain no inventory of securities. Instead, we are an independent SEC-registered investment advisor, acting as a fiduciary to our clients.



If selected, we will apply our knowledge and technical capabilities, as well as strategic investment techniques we believe will help the City achieve its investment objectives. We appreciate your consideration and welcome the opportunity to meet with you in person to discuss our proposal in greater detail. Should you have any questions or need clarification, please do not hesitate to contact Steven Alexander at (407) 648-2208 or by email at alexanders@pfm.com or Richard Pengelly at (407) 648-2208 or pengellyr@pfm.com.

Sincerely,

Steven Alexander, CTP, CGFO, CPPT
Managing Director
PFM Asset Management LLC

Richard Pengelly, CFA, CTP
Director
PFM Asset Management LLC

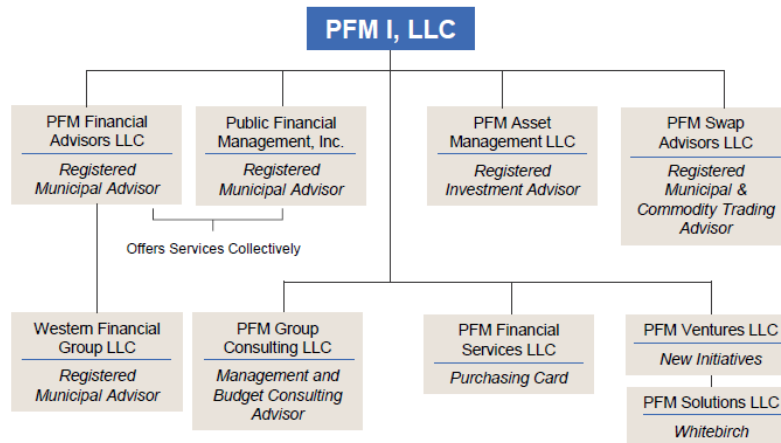


Tab 3. Firms Background

1. Describe the organization, date founded and ownership of your firm. Identify and explain if the firm experienced a significant change in organizational structure, ownership or management during the past three (3) years.

Organization and Ownership

PFM's original practice was founded in 1975 to provide independent financial advisory services to the public sector. In 1980, PFM began providing investment advisory services to public entities. In 2001, PFM Asset Management LLC was created as the entity through which we provide investment advisory services. PFM Asset Management and its affiliates, illustrated below, are indirect wholly-owned subsidiaries of holding company, PFM I, LLC. The firm is owned 100% by PFM's managing director employees, who manage various practices within the firm and set strategic direction.



The firm has not experienced a significant change in ownership or management during the past three years. In December 2017, PFM Asset Management LLC acquired the assets of Fiduciary Capital Management, Inc., an asset management firm specializing in low-risk, stable value investment management services for institutional clients including public, corporate and Taft-Hartley retirement plans. With that acquisition, PFM Asset Management LLC's stable value team now manages more than \$2.6 billion in stable value assets for qualified retirement plans such as 401(k) and 457 plans as of June 30, 2018.

2. Describe any potential conflicts of interest your firm may have in the management of this account. Include any activities of affiliated or parent organization, brokerage activities, or investment banking activities. Include any other pertinent activities, actions, or relationships not specifically outlined in this question, such as soft dollar arrangements with brokers.

PFM's asset management team has no conflicts of interest with the City. We are an independent investment advisor and our focus is on providing investment advisory services to public sector clients just like the City. All of our assets under management are clients' funds. We do not manage any funds for a parent holding company or affiliated subsidiaries.



We have no “soft dollar” arrangements with broker/dealers, banks or custodians, *nor do we accept finder’s fees or earn commissions* on client trading activity. Our only source of revenue comes from work performed for our clients, either from project work or on a retainer basis. We strive to conduct all aspects of our business with the highest standards of integrity, honesty and fair dealing.

PFM has a wholly-owned broker/dealer subsidiary, PFM Fund Distributors, Inc. (“PFMFD”), which is registered with the Securities and Exchange Commission (“SEC”) as a broker-dealer, a member of the Financial Industry Regulatory Authority (“FINRA”), and also subject to the rules of the Municipal Securities Rulemaking Board (“MSRB”). PFMFD, a limited-purpose broker-dealer whose primary activity is to serve as the distributor for shares of certain local government investment pools, the PFM Multi-Manager Series Trust and the PFM Funds, a registered money market mutual fund, all of whom we advise.. This broker/dealer has a limited charter which does not permit it to trade any securities nor is it permitted to execute trades for any separately managed account. This affiliate has no other business and receives no other revenues or income from any source. PFMFD is not involved in the sale or distribution of individual securities, nor does it maintain an inventory of securities.

3. Identify locations of the firm’s office(s), including the length of time there and the staff, and which office will service the City.

PFM is a national operation with 36 local offices across the country, including offices in Orlando, Largo (municipal advisory services only), and Miami. Investment advisory services are provided from PFM’s Orlando office, which has been working with municipalities throughout Florida since 1987. Our Orlando office has a full-time staff of 9 employees, as of September 15, 2018 to assist the City. We apply local knowledge and deep experience to client engagements while providing access to our larger national resources.

4. Include Part I and Part II of your most recent Form ADV. If you are exempt from registering with the Securities and Exchange Commission (SEC) under the Investment Advisor’s Act of 1940, please document your reasons.

PFM Asset Management LLC is a registered investment advisor under the Investment Advisers Act of 1940. Our Form ADV, Parts 1, 2A & 2B are provided in Appendix A.

5. Identify the types of accounts primarily managed by your firm.

PFM’s asset management business primarily seeks public/governmental accounts of municipalities, counties, agencies/authorities, public higher education institutions, school districts, and other public entities. All of the firm’s revenue is derived from institutional accounts; we do not accept retail clients.

Fixed-income portfolios range from short-term liquidity and working capital funds to operating funds, bond proceeds, and long-term reserves, and because of our public sector focus our portfolios emphasize high-quality assets, such as: U.S. Treasuries, federal agencies, supranationals, corporates, municipals, commercial paper, agency mortgage-backed securities and asset-backed securities.



6. Does your firm have an office(s) in the State of Florida, for how long, and describe the staff in the Florida office?

PFM has three offices in Florida, Orlando, Miami and Largo (municipal advisory services only). Our professionals have been providing investment advisory services in Florida since 1987. Our Orlando Team includes: Richard Pengelly, CFA, CTP, Director, Steven Alexander, CTP, CGFO, CPPT, Managing Director, Jason Human, Client Manager, and D. Scott Stitcher, CFA, Director, all of whom provide investment advice for fixed income funds. Members of the Orlando team also include Khalid Yasin, CIMA®, Director, who provides investment advice for multi-asset class management portfolios, and Lesley Allison, Marketing Representative for the Florida Education Investment Trust Fund (“FEITF”), who assists with cash management and purchasing cards. Sean Gannon, Senior Analyst, provides technical and analytical resources, including investment and cash flow analysis and Melissa Lindman and Leslie Bell, Senior Associates, provide administrative support for the team.

7. Describe any SEC, NASD or any other regulatory censure or litigation involving your firm or the individual that will be providing investment services to the City during the past five (5) years. Please provide information beginning with closed cases and their resolution, followed by pending cases and expected outcome.

PFM Asset Management LLC has not been involved in SEC, NASD or any other regulatory censure within the last five (5) years.

8. Provide a list of government clients that terminated your services in the past five (5) years and the reason for the termination. If not applicable, please provide a statement to that effect.

PFM’s asset management business has a strong record of client satisfaction. We believe our growth in assets under management and advisement is testament to our success in growing our client base. However, each year, a small number of clients choose to change their investment advisor for various reasons such as a change in politics/leadership. PFM has gained 251 and lost 48 discretionary fixed income government clients over the past five years ended June 30, 2018.

9. Provide a Certificate of Insurance (Please refer to the Insurance Requirements section of this solicitation)

PFM has a complete insurance program, including property, casualty, comprehensive general liability, automobile liability and workers compensation. PFM maintains professional liability and fidelity bond coverages which total \$30 million and \$10 million, respectively. PFM also carries a \$10 million cyber liability policy.

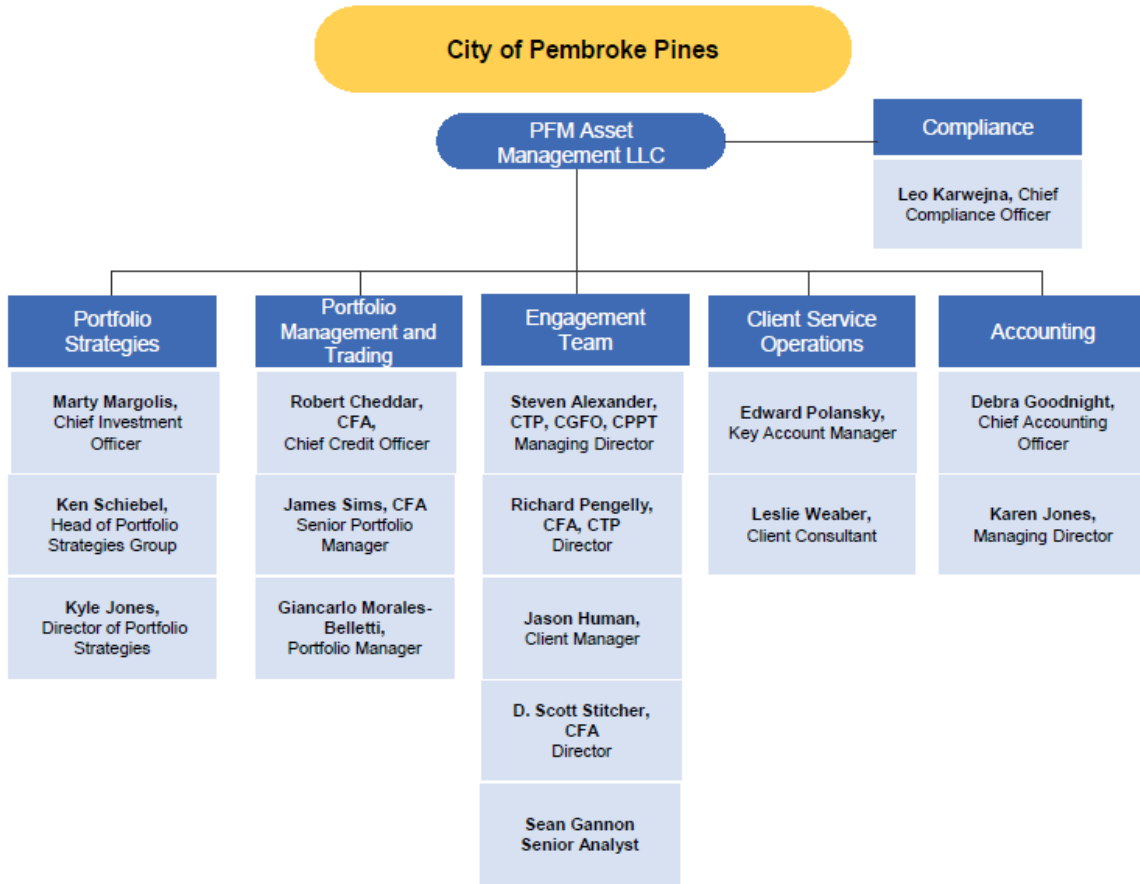
Our Professional Liability policy is a “claims made” policy and our General Liability policy claims would be made by occurrence.

Our proof of insurance certificates for General Liability, Professional Liability, Financial Institution Bond Fund and Cyber Liability are provided in Appendix B.



Tab 4. Personnel

1. Provide a summary organizational chart showing your proposed project team including analytical investment and research staff, other decision support and back office support. Identify the primary contact and describe the roles of each key person.



2. Provide detailed resumes for all key investment professionals who will be directly responsible for the investment of the City’s funds. Include the following information: title, number of years at your firm, total number of years of experience, professional designations or licenses (license number).

Resumes of our key professionals are provided in Appendix C. These summarize their experience, years with PFM and total years of experience, as well as professional licenses and designations. Brief biographies are found in the table on the following pages.



Key Investment Personnel and Role	Qualifications
<p>Steven Alexander, CTP, CGFO, CPPT, Managing Director</p> <p><i>Professional Licenses:</i> Certified Treasury Professional (CTP) Certified Government Finance Officer (CGFO) Certified Public Pension Trustee (CPPT) FINRA Series 6 and 63 Licenses</p>	<p>Started with PFM: 1996 Started in the Field: 1986</p> <p>Steven Alexander is a managing director in PFM's Orlando office and is responsible for creating and directing the PFM investment advisory and treasury management practice in Florida. He currently provides investment advisory services to a variety of organizations including local governments, authorities, hospitals, colleges and universities, airports and not-for-profits. He previously served as Treasury Manager for Orange County, Florida (the "County") where he was responsible for management of the County's \$1 billion cash and investment portfolio, and for its debt management. Steven also helped author Florida's Investment Policy Statute and Pension Policy Statute. He served as an Advisor to the Government Finance Officers Association ("GFOA") Treasury and Investment Committee. He served as an instructor for the Florida GFOA's School of Governmental Finance. Steven serves on the Association of Public Treasurer Investment Policy Certification Committee. He worked for the Governor's Emergency Financial Oversight Board for City of Miami.</p>
<p>Richard Pengelly, CFA, CTP Director</p> <p><i>Professional Licenses:</i> Chartered Financial Analyst (CFA) Certified Treasury Professional (CTP) FINRA Series 6, 7, 53 and 63 Licenses</p>	<p>Started with PFM: 2009 Started in Field: 1995</p> <p>As a director in the Orlando office, Richard Pengelly provides a broad range of investment advisory and portfolio management services to local governments and non-profit organizations. He has worked with all types of public sector investment portfolios including bond proceeds, long-term reserve funds, operating funds and statewide pools. Richard frequently serves as an instructor for national, and regional GFOA seminars on best practices for local government investment.</p>
<p>Jason Human Client Manager</p> <p><i>Professional Licenses:</i> FINRA Series 6 and 63 Licenses</p>	<p>Started with PFM: 2018 Started in Field: 2006</p> <p>Jason Human is responsible for enhancing the client experience and serving as an advocate for clients throughout the south. Jason's primary focus will be on your day to day servicing needs. He is an additional client resource and will be working to identify best practices from around the firm to improve clients' experiences. He helps to ensure that clients are receiving the best applicable services PFM has to offer.</p>



Key Investment Personnel and Role	Qualifications
<p>Edward Polansky Key Account Manager</p> <p><i>Professional Licenses:</i> Chartered Retirement Planning Counselor (CRPC)</p> <p>FINRA Series 6 and 63 Licenses</p>	<p>Started with PFM: 2013 Started in Field: 1995</p> <p>Edward Polansky joined PFM in 2013 as a Key Account Manager for our Client Services Group. His primary responsibility is to provide customer service in everyday functions such as onboarding and new client administration. He serves as a client advocate providing a “high touch, high value” experience, whatever the client’s additional needs may be.</p>
<p>Sean Gannon Senior Analyst</p> <p><i>Professional Licenses:</i> FINRA Series 6 and 63 Licenses</p>	<p>Started with PFM: 2016 Started in Field: 2016</p> <p>Sean Gannon is a Senior Analyst in the Orlando office. His responsibilities include preparing customized investment performance reports, cash flow modeling, portfolio structuring and restructuring and reviewing investment policies and practices for compliance with state statutes. He assists clients in opening accounts and answering questions about day-to-day account information. He also assists clients in developing banking service Requests for Proposals (“RFPs”) and performs the analytical review of the proposals submitted. He works closely with clients, guiding them through the RFP process from the development of the RFP to the award and negotiation of the contract.</p>
<p>D. Scott Stitcher, CFA Director</p> <p><i>Professional Licenses:</i> Chartered Financial Analyst (CFA)</p> <p>Chartered Mutual Fund Counselor (CMFC)</p> <p>FINRA Series 7 and 63 Licenses</p>	<p>Started with PFM: 2012 Started in Field: 1996</p> <p>Scott Stitcher is a director in the Orlando office focusing primarily on providing a broad range of investment advisory and consulting services, including developing portfolio strategies; modeling cash flows; and reviewing portfolio performance and investment policy development for operating, reserve, and other post-employment benefits (OPEB) funds for local governments and non-profit entities. Additionally, he shares PFM’s multi-asset class manager knowledge with hospital, higher education, endowment and foundation clients.</p>



Key Investment Personnel and Role	Qualifications
<p>Marty Margolis Managing Director & Chief Investment Officer</p> <p><i>Professional Licenses:</i></p> <p>FINRA Series 6, 26, 52, 53 and 63 Licenses</p>	<p>Started with PFM: 1978 Started in Field: 1978</p> <p>Marty Margolis founded the investment management business conducted by PFM and currently serves as chief investment officer. He oversees the development and implementation of client investment policies, as well as credit research and client portfolio management. He led the development of pooled investment programs for public agencies for more than 30 years, and has been involved in the development of state wide programs in Florida, Pennsylvania, California, Virginia, New Jersey and Texas, as well as specialized pooled programs for the Government of the Virgin Islands and for the Massachusetts Development Finance Agency.</p>
<p>Kenneth Schiebel, CFA Managing Director & Head of Portfolio Strategies Group</p> <p><i>Professional Licenses:</i></p> <p>Chartered Financial Analyst (CFA)</p> <p>FINRA Series 7 and 63 Licenses</p>	<p>Started with PFM: 1994 Started in Field: 1981</p> <p>Kenneth Schiebel is a managing director and head of our Portfolio Strategies Group. He previously led a team of portfolio managers, traders and research staff, responsible for the management of our fixed-income separate account business. Under his leadership, the firm's separate account assets under management grew more than six-fold. Ken's background in actuarial analysis helped establish us as a market leader in managing assets in the insurance and self-insurance industry.</p>
<p>Kyle Jones, Director of Portfolio Strategies</p> <p><i>Professional Licenses:</i></p> <p>FINRA Series 7 and 63 Licenses</p>	<p>Started with PFM: 2012 Started in Field: 2002</p> <p>Kyle Jones is the director of Portfolio Strategies and a member of the Portfolio Strategies Group. Kyle works primarily with clients by helping to devise customized portfolio strategies that meet their specific investment needs. In addition, he assists in the creation and delivery of our views and strategies to clients, prospects and third-party consultants.</p>



Key Investment Personnel and Role	Qualifications
<p>Robert Cheddar, CFA Managing Director & Chief Credit Officer <i>Professional Licenses:</i> Chartered Financial Analyst (CFA)</p>	<p>Started with PFM: 2004 Started in Field: 1998</p> <p>Bob manages client accounts across the country, specializing in high-quality fixed-income assets. He is responsible for the management of client assets in separate portfolios for cities, counties, insurance and self-insurance organizations, school districts, state and local government agencies, public finance authorities, and universities. Assets under management include operating funds, capital reserves, bond proceeds, and other post-employment benefits (OPEB) obligation funds. In developing portfolio strategies, Bob considers each client's unique circumstances, incorporating risk tolerances, return expectations and cash flow needs.</p>
<p>James Sims, CFA Director/Senior Portfolio Manager <i>Professional Licenses:</i> Chartered Financial Analyst (CFA)</p>	<p>Started with PFM: 2016 Started in Field: 1993</p> <p>James manages investment grade fixed-income portfolios for state and local governments across the country. The assets under management (AUM) include operating funds, capital reserves, bond proceeds and other post-employment benefit (OPEB) obligation funds. James specializes in Asset-Backed Securities (ABS) and has more than 20 years of banking and capital markets experience.</p>
<p>Giancarlo Morales-Belletti Portfolio Manager</p>	<p>Started with PFM: 2011 Started in Field: 2010</p> <p>Giancarlo is directly responsible for the management of a significant number of fixed-income separate accounts. He is responsible for the development and execution of investment strategies in the portfolios that he manages. Included in these portfolios are operating funds, construction funds and debt service reserves for clients in all parts of PFM's separate account business. He has helped to build PFM's capabilities in the asset-backed sector while serving as PFM's asset-backed sector specialist and is an active contributor to the fixed income strategy process.</p>



Key Investment Personnel and Role	Qualifications
<p>Debra Goodnight, CPA, Managing Director & Chief Accounting Officer</p> <p><i>Professional Licenses:</i> Certified Public Accountant (CPA) FINRA Series 6, 26, 28, 52, 53 and 63 Licenses</p>	<p>Started with PFM: 1990 Started in Field: 1981</p> <p>Debra Goodnight has overall responsibility for accounting and administration for PFM’s asset management business, including portfolio accounting, pool accounting and client billing. She supervises a staff that annually processes over 100,000 security transactions with an average daily trade volume of nearly \$2 billion. She is directly responsible for the accounting operations of PFM-managed statewide pools serving more than 5,200 participants (as of March 31, 2018). Debra has extensive experience in the operations of money market funds, including the 2a-7 guidelines as defined by the SEC and currently serves as treasurer of one of the SEC-registered investment companies for which we serve as investment advisor. She currently serves on a MSRB Committee and has also participated in a task force for the Governmental Accounting Standards Board (“GASB”) Deposit and Investment Risks Project.</p>
<p>Leo Karwejna, Managing Director, Chief Compliance Officer</p> <p><i>Professional Licenses:</i> FINRA Series 7 and 66 Licenses</p>	<p>Started with PFM: 2011 Started in Field: 1999</p> <p>Leo Karwejna joined PFM to head the Compliance group in 2011 as chief compliance officer and managing director. He has more than 10 years’ experience providing compliance support to firms in the investment advisory and securities-trading businesses including equity, fixed income, real estate (direct property and REIT securities), and additional alternative investment strategies.</p> <p>Responsible for all regulatory compliance program efforts related to PFM’s business activities and personnel, he assists firm professionals with specific compliance advisory guidance and leads the Compliance group’s efforts to develop, maintain, and monitor firm-wide compliance with appropriate policies, procedures, and regulatory requirements.</p>

3. Describe any additions or departures in the last 3 years of the team that would be directly responsible for the investment of the City’s funds.

In the past 3 years PFM has had one addition and no departures that would be responsible for the City’s funds. PFM developed a new internal role of dedicated Client Manager. Jason Human, Client Manager, joined PFM this year and is a key member of our Orlando team. He is committed to enhancing the client experience. His focus is acting as our clients’ secondary point of contact and resolving client



issues/challenges in a timely manner. Additionally, Jason strives to ensure that clients are receiving the best solutions PFM has to offer.

4. What is the number of accounts and volume (in \$) that is handled by this team.

PFM is fully capable of handling a large volume of work. We use a team approach to portfolio management in order to balance the volume of work among managers. As of July 31, 2018, we employ six portfolio managers and five portfolio traders; these professionals are supported by the five members of our Portfolio Strategies Group. Based on our client base and number of relationship management professionals, our portfolio managers typically average about 50 clients per representative. While PFM has no formal limits on the number of clients assigned to each of our investment professionals, we are careful to assign a team with the experience and time to deliver our high standard of customer service to each client. As our business has grown, we have proactively added members to our portfolio strategy, analytical, and client service staff. Additionally, we have experienced very low turnover among our professionals, which provides our clients with long-term continuity.

Our firm continues to develop and strengthen our technical capabilities by striving to install the most advanced telecommunications and rate processing systems available. We provide our clients with a diverse and broad array of analytical capabilities. Each team of our professionals includes members experienced in credit research, economic analysis, computer programming, municipal bond structuring, and refunding techniques. As appropriate, our professionals possess exceptional skills in utilizing financial modeling software and developing custom financial analytical models.

5. Describe your firm's efforts to keep portfolio managers informed of developments relevant to the management of local government funds.

Government portfolio management can be impacted by several major factors including economic, market, or industry changes; regulatory changes; and changes in state laws. Our professionals stay informed of developments through:

- Significant market exposure due to our large amount of assets under management;
- Deep involvement in the government investment industry; and
- Participation in major national and local government finance organizations and conferences.

Further details about our activities are described below.

Market, Regulatory & National Factors: Because we focus on the public sector, we are constantly looking for developments that would be relevant to our government clients. We regularly sponsor and attend GFOA and state GFOA conferences throughout the Southeast to stay abreast of developments related to governments. Our investment professionals and compliance staff are encouraged to attend conferences sponsored by the CFA Institute and applicable regulatory agencies such as the Financial Industry Regulatory Authority ("FINRA"), respectively, in order to stay current on rules and regulations within the investment industry. We also have several internal training outlets available to staff at different levels in order to continually develop skills and foster professional growth. The following are some examples of how our portfolio managers and traders are kept informed:



- Daily involvement in the investment markets provides immediate and ongoing exposure to market developments;
- Regular discussion with industry experts, including traders, product specialists, rating agency analysts, issuer finance professionals, and corporate economists;
- Internal training provided by senior professionals through an internal program called the “PFM University.” This program was developed by PFM to provide education to our professionals on topics that are critical to government finance officials and other topics related to government investments and debt financing and budgeting;
- PFM provides firm-wide training during which subject-matter experts present on their areas of expertise for an hour every other week; and
- External continuing education opportunities provided by industry conferences, the CFA Institute, a global association of investment professionals, and Wall Street investment banks.

We encourage all investment professionals to pursue the Chartered Financial Analyst (“CFA”) designation, making this a part of their annual goals and reimbursing them for costs. The CFA program is a graduate level multiple year course of study that is viewed as one of the investment industry’s highest accreditations.

6. Describe training requirements and frequency.

As an industry leader in all aspects of government investing, PFM has devoted significant time and resources to ensure that our professionals are well informed of the associated market and industry developments. We offer several internal training programs designed to continually develop staff skills and foster professional growth. PFM University provides formal training dedicated to educating our professionals on a wide range of topics in municipal finance, including public-sector investment topics, investment management principles and governmental accounting standards. While all employees have access to this training, senior professionals must complete two classes per year, enabling them to tailor a curriculum to their particular career development needs. Topics also include investment strategy training, technical skills and sector-based topics.

We also host internal conference calls weekly on the economy, investment markets and credit market trends, as well as monthly webinars that focus on local government investment pools and separately managed accounts. In addition, subject-area experts host one-hour training sessions on their area of expertise on a bi-weekly basis. Externally, our portfolio management personnel regularly meet with major players in the fixed-income markets, including government agencies (e.g., FHLB, FFEB), corporate issuers, rating agencies (e.g., Standard & Poor’s and Moody’s), underwriters and Wall Street research departments.

Finally, we encourage all investment professionals to attain the CFA designation and provide financial assistance, including covering the initial CFA fee to begin the program and the cost of educational resources and testing. As of September 30, 2017, we have 34 employees who have attained their CFA



designation. In addition, five employees have passed all three exams, but require additional work experience to meet the charter requirements, and 66 employees have passed at least one exam.

7. Complete Attachment P - Personnel Form

PFM's completed Personnel Form (Attachment P) is provided behind **Tab 10 Other Completed Documents**.



Tab 5. Other Experience

1. Describe the measures your firm takes to ensure that all investments are executed in compliance with the IRS's Fair Market Rules.

Once investment decisions are made, PFM pursues an aggressive and intensive effort to obtain the best possible bid/offer price available for the particular security by soliciting bids/offers from at least three financial institutions. All bid information is documented on each trade ticket as required by the City's Investment Operating Policy and Chapter 218.415, Florida Statutes. We do this because no one broker/dealer can offer the best price all the time. Even small savings per trade can add up to significant additional earnings over time.

2. Describe how your firm stays informed of the latest interpretations and guidelines issued by the U.S. Treasury Department.

If the City is interested in arbitrage rebate compliance services, PFM has been providing these services to clients for over two decades. We are knowledgeable with and very experienced in helping issuers comply with the applicable federal tax law requirements. All work performed by PFM is consistent with and in compliance with the applicable federal tax laws. With each calculation we deliver to our clients, PFM includes our professional opinion that the calculation has been prepared in accordance with the applicable federal tax laws and may be relied upon for purposes of determining if a liability has accrued.

David Reeser is the Managing Director in charge of our Arbitrage Rebate Practice and has 23 years of experience. Mr. Reeser stays abreast of changing regulations through his participation in the National Association of Bond Lawyers ("NABL"), the Government Finance Officers Association ("GFOA"), reviews of IRS publications, through periodic conversations with legal professionals in the industry, and through various other sources such as industry publications.

3. Describe your firms' experience in developing or working within the investment policies of Florida governmental agencies.

With 73 current Florida governmental clients as of July 31, 2018, we have extensive experience working within the guidelines of Florida Statutes 218.415, "Local government investment policies". Each client's investment policy is carefully reviewed periodically to determine if it properly meets the client's investment needs. We also monitor for pending changes in legislation to determine if investment policies and strategies are in compliance with statutes. We perform reviews of clients' investment policies annually and provide recommendations that are suitable to clients' investment objectives and risk parameters, and meet industry best practices.

Richard Pengelly, CFA, CTP, Director has provided sessions on Florida Statutes Chapter 218.415, and investment policy best practices sessions at many of our client seminars. He also regularly partners with clients to review and update their investment policies to reflect recent changes in the market.





Additionally, Steven Alexander serves on the investment policy certification committee of the Association of Public Treasurers of the United States & Canada (APT US&C), he served on the Government Finance Officers Association's (GFOA) Treasury and Investment Committee that developed the 2016 Best Practices for investment and treasury management procedures, and he helped author Section 218.415, Florida Statutes which governs local government investment policies.



Tab 6. Previous Experience

1. Describe your firm's experience in providing investment management services for public funds and governmental entities. Specify any relevant experience managing public funds in Florida.

Public Funds Investment Experience

Our professionals have been providing investment management services to governmental entities like the City and their public funds since 1980. The public funds accounts under management include operating, general, general reserve, and other special purpose accounts such as capital funds, bond proceeds and multi-asset class. Our services include developing or reviewing investment policies, recommending investment strategies, cash flow analysis and forecasting, and portfolio valuation.

For the period ended June 30, 2018, we had \$128.7 billion in total assets, including \$88.3 billion in discretionary assets under management and \$40.4 billion in non-discretionary assets under advisement. We are nationally recognized as one of the leading firms providing investment advisory services to the public sector. Based on Manager Rankings as of December 31, 2017, we are ranked in the top 7% of asset management firms, based on U.S. tax-exempt institutional assets under management.²

Florida Experience

PFM's professionals have been providing investment advisory services in Florida since 1987. As of June 30, 2018 our Orlando office provides investment management or advisement services on \$9.3 billion for 200 separately managed fixed income and multi-asset class portfolios as well as \$1.9 billion in the local government investment pool, FEITF, for which we serve as investment advisor.

We provide investment advisory services to several of your Broward County neighbors including: the City of Fort Lauderdale, City of Hallandale Beach, City of Plantation, Broward County School District and South Broward Hospital District as of July 31, 2018.³

Florida Cities Experience

PFM has an established history of serving cities in Florida and around the nation. We currently manage over \$13.9 billion for 136 cities nationwide as of June 30, 2018. A list of all Florida cities for which we manage fixed income and/or multi-asset class portfolios is provided on the following page. PFM provides services for the following Florida cities as of July 31, 2018.⁴

² Pensions & Investments Manager Rankings. December 31, 2017

³ Broward County clients for which PFM provides investment management services. Inclusion on this list does not represent an endorsement of PFM or its services. A full client list is available upon request.

⁴ Florida cities for which PFM provides investment management services. Inclusion on this list does not represent an endorsement of PFM or its services. A full client list is available upon request.



City of Brooksville	City of Lake Worth	City of Port Orange
City of Clermont	City of Melbourne	City of Riviera Beach
City of Delray Beach	City of Miami	City of Sarasota
City of Fort Lauderdale	City of Ocala	City of Titusville
City of Fort Walton Beach	City of Palm Bay	City of West Palm Beach
City of Hallandale Beach	City of Palm Coast	City of Winter Garden
City of Jacksonville	Plant City	City of Winter Springs
City of Key West	City of Plantation	

2. Describe your firm’s experience in developing investment policies and portfolio management guidelines for government funds.

We have extensive experience developing investment policies. Each client’s investment policy is carefully reviewed periodically to determine if it properly meets the client’s investment needs. We also monitor for pending changes in legislation to determine if investment policies and strategies are in compliance with statutes. We perform reviews of clients’ investment policies annually and provide recommendations that are suitable to clients’ investment objectives and risk parameters, and meet industry best practices. Our team is very familiar with Florida Statutes 218.415.



Richard Pengelly, CFA, CTP, Director has provided sessions on Florida Statutes Chapter 218.415 and investment policy best practices sessions at many of our client seminars. He also regularly partners with clients to review and update their investment policies to reflect recent changes in the market.

3. Summarize your fixed income assets under management (public funds only) over the past five years by the following categories: Discretionary, non-Discretionary and Bond Proceeds. Also, please distinguish between public funds and non-public funds.

Total Fixed Income Assets (millions)				
Year	Discretionary		Non-Discretionary	
	Public Funds	Non-Public Funds	Public Funds	Non-Public Funds
2013	\$44,383.7	\$2,607.3	\$14,286.7	\$0.0
2014	\$47,220.0	\$2,378.5	\$17,437.5	\$0.0
2015	\$52,928.6	\$2,076.9	\$17,794.0	\$0.0
2016	\$59,743.3	\$2,972.3	\$31,686.7	\$0.0
2017	\$66,447.4	\$3,276.8	\$31,561.0	\$0.1
6/30/2018	\$73,402.5	\$3,869.4	\$32,554.6	\$0.1

**Includes total fixed income assets as of each year end unless otherwise noted.*



Total Fixed Income Bond Proceed Assets (millions)				
Year	Discretionary		Non-Discretionary	
	Public Funds	Non-Public Funds	Public Funds	Non-Public Funds
2013	\$5,269.4	\$134.5	\$942.5	\$0.0
2014	\$5,556.1	\$240.8	\$0.0	\$0.0
2015	\$7,075.8	\$205.1	\$6.3	\$0.0
2016	\$8,838.5	\$673.9	\$4.5	\$0.0
2017	\$8,563.6	\$525.1	\$4.5	\$0.0
2018 Q2	\$8,476.4	\$451.7	\$4.5	\$0.0

**Includes total fixed income bond proceed assets as of each year end unless otherwise noted.*

4. What is your firm’s experience in developing investment policies and portfolio management guidelines for government funds?

Please see our answer to question two on the previous page.

5. Clarify whether your firm acts as a broker or as a primary dealer in securities or receive any other form of additional compensation (including soft dollars) for client transactions aside from the direct fee paid by clients.

We are not a broker/dealer – we do not hold an inventory of securities – our approach emphasizes aggressively shopping for competitive rates and prices from a wide group of market participants, in the effort to ensure that you receive “fair market value.”

We have no “soft dollar” arrangements with broker/dealers, banks or custodians, nor do we accept finder’s fees or earn commissions on client trading activity.

As further described in response to Tab 3, Item 2, PFM has a wholly owned broker/dealer subsidiary, PFM Fund Distributors, Inc. (“PFMFD”). This broker/dealer has a limited charter which does not permit it to trade any securities nor is it permitted to execute trades for any separately managed account. This affiliate has no other business and receives no other revenues or income from any source. PFMFD is not involved in the sale or distribution of individual securities, nor does it maintain an inventory of securities.

6. To summarize the assets under your management, complete Attachment O - Firm’s Experience Form. Be sure to show the number of accounts and dollar value in millions.

PFM’s completed Firm’s Experience Form (Attachment O) is provided behind **Tab 10 Other Completed Documents**.

7. Complete Attachment M - References Form.

PFM’s completed References Form (Attachment M) is provided behind **Tab 10 Other Completed Documents**.



Tab 7. Investment Management Approach and Performance

1. Briefly describe your firm's fixed income investment management philosophy. Include how buy and sell decisions are made.

PFM's primary focus is on the management of fixed-income public sector funds—namely, operating funds, bond proceeds, capital reserves, self-insurance reserves, and other governmental funds. Because we focus on the public sector, our investment philosophy stresses low-risk investment strategies that employ proactive portfolio management and fall within the constraints set by law as well as our clients' specific policies and objectives. We understand that the management of public-sector funds is an important and highly visible public service. For this reason, our investment objectives, in order of priority, are to: first preserve capital; second provide needed liquidity; and third optimize earnings.

Our core investment philosophy—which has been in place since we began managing funds almost 40 years ago—is a relative value approach that emphasizes the use of low-risk, actively managed strategies to add value while carefully managing credit and market risk.

Portfolios at PFM are managed by teams consisting of (i) a portfolio strategist who analyzes client requirements, evaluates macro investment options, and coordinates an overall investment approach, (ii) a portfolio manager who implements the investment strategy and has discretion for sector and issue selections within the context of the approved strategy and each client's investment policy, and (iii) traders who assemble market offerings, run comparative security analysis, execute trades on a competitive basis, and ensure efficient settlement. PFM's team approach ensures that multiple portfolio managers are knowledgeable about each client's portfolio, actively participate in discussions about investment strategies, and have access to portfolio positions at all times. Buy/sell decisions are made by consensus and approved by the Chief Investment Officer (CIO), who has veto power. Shorter-term tactical approaches are discussed at a weekly multi-sector meeting.

Our fixed-income strategy is regularly reassessed by portfolio managers. We have a Fixed-Income Investment Committee that meets formally on a monthly basis to review our overall strategy, and the key elements of sector allocation, duration positioning, yield curve placement, and individual investment opportunities. Market and account performance attribution is also discussed in detail. Formal targets are established for each of the key strategy elements, documented in written Committee minutes, and portfolio manager teams implement any changes for their accounts, within individual client guidelines and investment policies. The Fixed-Income Investment Committee consists of the CIO, portfolio managers, traders, strategy and research staff, and a representative from PFM's Compliance Group.

Every Monday, senior investment and strategy staff, portfolio managers, and sector specialists meet to discuss detailed internal research and analysis of six fixed-income sectors: Treasuries, Federal Agencies, callable Federal Agencies, corporates, municipals, and mortgage-backed securities. At these discussions, short-term opportunities are identified, sector allocation targets are reassessed, and any new or unique investment ideas are vetted. Sector specialists lead the discussion of their area of expertise, and a vibrant dialogue is encouraged. Ad-hoc strategy discussions also take place regularly on the trading desk, or after any significant market moving event.



Our portfolio management teams also review client portfolios on a daily basis. As part of daily practices, portfolio managers and traders discuss market developments, product offerings, new issues, and the potential impact of pending economic announcements. Portfolio manager teams also review portfolio holdings, upcoming maturities, cash flows, and any other client-specific needs.

2. Describe the types of securities you propose to purchase, and how you will provide liquidity.

PFM's focus is on those sectors that are consistent with Florida Statutes Section 218.415 and most suitable for our public-sector clients — U.S. government securities, investment-grade corporates, municipal securities, Agency MBS, high-quality ABS, and money market securities such as commercial paper and repurchase agreements. In terms of quality, PFM's specialty is in managing fixed-income assets with ratings of "A" or better (by at least one Nationally Recognized Statistical Ratings Organization), as we believe we can generate competitive performance with lower volatility without a heavy reliance on lower-quality credits. In the credit space, we have a strong emphasis on banking and finance.

We will seek to meet the City's objective of liquidity by:

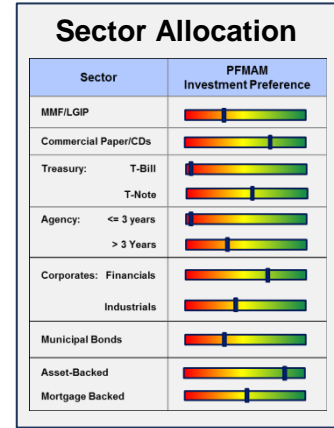
- Understanding the City's expected cash flows, seasonality of those cash flows, and any capital project expenditure schedules.
- Using our firm's cash flow model to analyze historical balances and trends.
- Structuring portfolio maturities to match expected cash flows.
- Providing a "liquidity cushion" for unexpected cash needs.
- Utilizing investments that can easily be sold in well-established secondary markets to provide "contingent liquidity."

3. Describe the primary strategies employed by your firm for adding value to portfolios (e.g. market timing, credit research, etc.).

The primary way PFM adds value is by collaborating with our clients to understand their needs and using our collective expertise to develop investment strategies that are tailored to meet them. In addition, we use the following strategies:

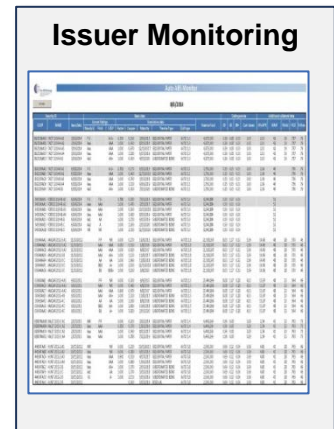


- Sector Emphasis/Weighting.** We regularly monitor the yield relationships between all permitted investment sectors (e.g., U.S. Treasury, Federal Agency, corporate) and recommend investments that we believe offer the best relative value. This does not mean we always buy the highest yielding investment, but rather the investment whose yield best compensates for the inherent risks of the investment and can be combined to create diversified portfolios.



- Yield Curve Placement.** Through a series of analytical models, we identify those maturities that offer the greatest value—that is, the most amount of yield or return potential for a given amount of risk. Our analysis includes assessing the impact of extending maturity by evaluating the benefit of both higher initial yields and “roll down”—the tendency of longer maturities to appreciate as they age and shorten in maturity and are re-priced along the yield curve—a powerful force underestimated by most managers.

- Issue Selection.** Yields can vary significantly among issuers or, within the same issuer, among securities with similar maturities. Sometimes this is due to perceived quality differences that need to be carefully analyzed. Other times, it is due to supply differences, pricing inefficiencies, or other market anomalies. We seek to recommend securities that are both safe and offer high return potential. Our internal trading tools help us quickly identify and capitalize on pricing inefficiencies, which may result in higher portfolio yields for the City. However, quality always trumps yield in the efforts to seek higher returns.



- Credit Analysis.** We employ a rigorous, market-driven approach to credit analysis that evaluates both the quantitative and qualitative aspects of issuers that we recommend for investments. Our credit research seeks to identify issuers that meet our credit quality standards and that offer incremental value with minimal credit risk, allowing us to safely increase yield. Our robust internal credit review and monitoring procedures are a critical element of the security selection process and allocations to individual issuers are limited to ensure broad diversification.

- Duration Management.** We add value by managing portfolio duration to manage risk and take advantage of interest rate trends, but within a narrow range around the specified benchmark. We will generally manage duration to be close to the benchmark unless we have a strong conviction about the near-term direction of interest rates. For example, in February 2017, we believed that





market rates were not adequately pricing in the potential for a Federal Reserve (“Fed”) rate hike in March, so we shortened our duration targets accordingly. When the Fed did raise rates, we took advantage of the sharp surge in yields by extending portfolio durations back to a near-neutral position to capture value for our clients.

- **Active Management.** While every investment is purchased with the potential to hold to maturity, changes in market conditions may present recommendations to add value by selling a security before maturity and reinvesting in another investment. We monitor the markets on an ongoing basis, looking for opportunities to re-balance the portfolio among sectors and/or maturities that could add value and enhance investment performance.
- **Competitive Shopping.** We are not a broker-dealer or bank, and we carry no inventory of securities. Rather, we competitively shop every transaction to seek to obtain best execution for our clients. For every security we buy and sell, we solicit bids from a minimum of three to five broker-dealers (when available) from our approved list. We do this because no one broker-dealer can offer the best price all the time. Even small savings per trade can add up to significant additional earnings over time.



Increased Efficiencies. We believe we also add value to our client portfolios by creating operational efficiencies that may be difficult to achieve at a local government level. In our role with the City, we would take on the responsibility for many of the time-consuming, day-to-day activities related to managing a portfolio, including competitively shopping transactions, coordinating trade settlement with the broker and custodian, reconciling investment activity, monitoring credit quality and preparing investment reports.

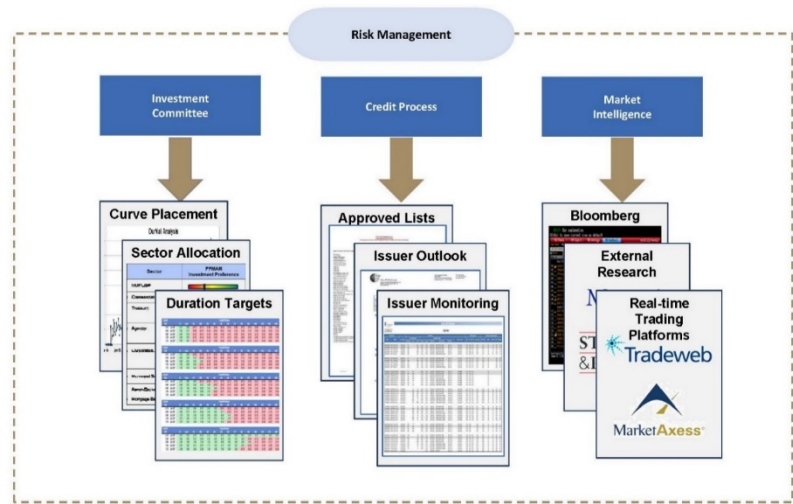
4. Describe how investment ideas are originated and how researched, and how the ultimate investment decision is made. Explain how investment decisions are then implemented, monitored and evaluated.

PFM uses a committee-driven process for making overall investment decisions. Paired with our expertise and specialized resources, this will help ensure that the City’s portfolio is managed in a policy-compliant manner. The City’s engagement team will create, implement, and monitor a customized investment strategy, informed by our Fixed-Income Credit Committee (“Credit Committee”), further described below. Credit Committee decisions are made by consensus, approved by the CIO, and implemented by the portfolio management team for each client account.

Within the Fixed-Income Investment Committee’s established strategy, portfolio managers have the flexibility to buy/sell securities in order to take advantage of market movements.

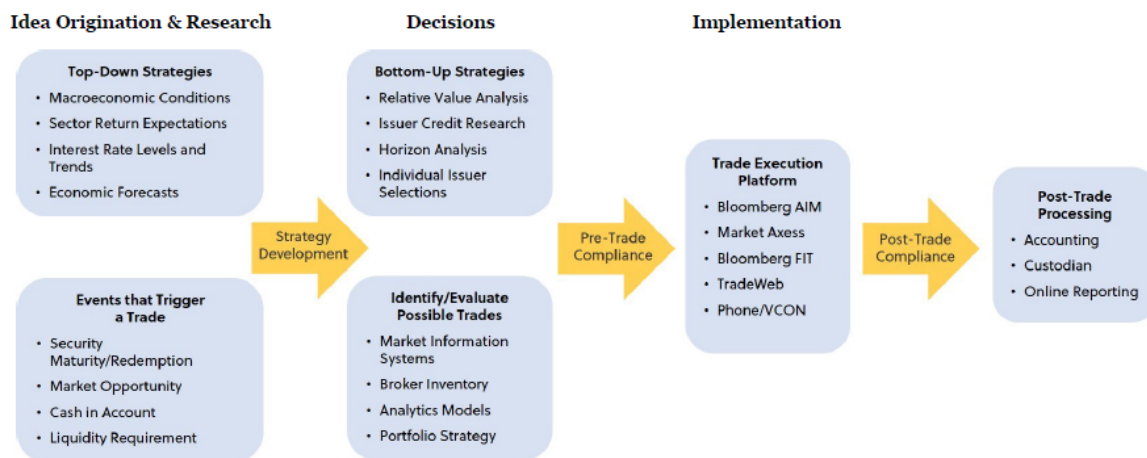


Also, senior investment and strategy staff, portfolio managers, and sector specialists meet weekly to discuss detailed internal research and analysis of six major fixed-income sectors: Treasuries, Federal Agencies, callable Federal Agencies, corporates, municipals, and mortgage-backed securities (“MBS”). During these discussions, short-term opportunities are identified, sector allocation targets are reassessed, and any new or unique investment ideas are vetted.



Security selection and portfolio construction involve managing risk while looking for attractive investment opportunities. While those opportunities can differ over time, the basic tenets of safety and liquidity remain paramount; and we believe this focus has served our clients well, especially in times of market stress. We also believe our relative value approach is fundamentally sound in any time period and under any market condition.

After identifying specific issues using our top-down/bottom-up approach (illustrated in the graphic below), making specific trade recommendations, and consulting with the client if necessary, trades are executed on a competitive basis and settled with the custodian. Our firm reports all details of the trade, including the interest accrual, market value, and amortized cost





PFM has developed and implemented strict monitoring procedures at the firm level and individual portfolio level. We do this through regular performance assessments and reviews. Our monitoring procedures are designed to ensure that the portfolio management team consistently meets the City's investment objectives and follow prudent practices when making investment decisions. These measures include:

Daily Portfolio Reports - Our professionals monitor each portfolio policy compliance on a daily basis. Our real-time trading and compliance system, Bloomberg AIM, prepares an end of day report comparing a portfolio with permitted investments, sectors and maturity limits. Account guidelines and restrictions are coded into Bloomberg AIM by our Investment Services Group and reviewed for accuracy by the Compliance Group. Bloomberg AIM links to our portfolio accounting database which helps to ensure that reports incorporate accurate and up-to-date portfolio holding information.

Review of Daily Log – On a daily basis, the CIO reviews executed trades to help ensure that prudent investment standards and practices are followed and that sound investment judgment is used.

Credit Monitoring – Our Credit Committee does its own independent credit research and does not rely solely on rating agency information. The Credit Committee selects issuers based on a number of factors that affect an issuer's ability to pay its obligations, including the state of each issuer's balance sheet, the company's earnings potential, impairments, each issuer's corporate governance, credit default swaps levels, and trading volume. We also monitor on an ongoing basis factors such as the issuer's industry trends, competitive and regulatory environment, and rating agency actions. We use these inputs to decide whether to buy, hold, or even sell an issuer's bonds, in order to protect our clients. PFM also has automated processes to identify emerging news on all issuers on our approved list, and for quickly identifying any ratings actions such as upgrades, outlook changes, and downgrades.

Performance Evaluation – To evaluate the success of our decisions for the portfolio, we look at our total return performance (which includes both realized and unrealized gains/losses and income) against the selected benchmark. While total return performance is a significant factor, there are other important elements that we consider in the evaluation of the investment program's success, such as meeting liquidity needs, suitability of investment recommendations, timelines of reporting, and quality of customer service.

5. Describe how your firm will review the credit of financial institutions it utilizes and securities to be purchased from these institutions.

Our Credit Research Process

PFM employs an extensive credit review process built upon our own independent, in-depth analysis of issuers—a process that helped to keep our clients out of the headlines during the 2007-2008 credit crisis by avoiding financially unstable issuers. We do not rely solely on rating agencies, but rather employ a market-driven approach that evaluates both the quantitative and qualitative aspects of corporate issuers. We base our analysis primarily on both issuer-specific and macro trends, which we believe provides a thorough understanding of the issuer.



The specialists in our Credit Committee, managed by our Chief Credit Officer and comprised of our CIO, six portfolio managers, two portfolio strategists and a representative from our Compliance Group, are the cornerstone of our credit review process. The Credit Committee meets on a monthly basis, or more frequently if warranted by market conditions, and is responsible for defining our credit research process and standards, approving new issuers, monitoring credit sectors, and overseeing our Approved Issuer lists. All portfolio managers and traders are restricted to purchasing only those issuers on our Approved Issuer lists. Issuers are added to our approved lists only if they:

- Meet our stringent credit requirements,
- Are frequent issuers, and
- Offer yields that represent value in their respective sector and industry.



Formal credit reviews are conducted at least annually for each issuer. This is supplemented by quarterly reviews of financial reports, as well as daily monitoring of market developments. A thorough interim review may be triggered by changes in markets (indicated by changes in equity prices, interest rate spreads, etc.), releases of issuer-specific news (e.g., earnings or credit ratings), or macro events (e.g., new regulations). Issuers are monitored on an ongoing basis and are proactively removed from the approved lists if conditions warrant.

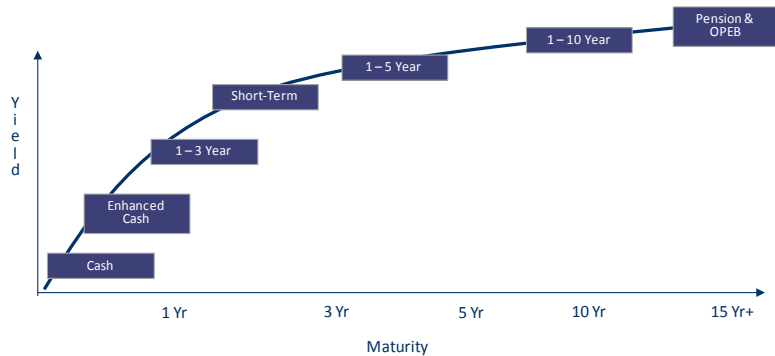
Our Chief Credit Officer oversees credit research responsibilities carried out by portfolio managers and traders involved directly with our investment process. We involve portfolio managers and traders directly in this process rather than isolating the work to credit analysts separated from the portfolio management process because we feel it is necessary to be directly involved in the process so that important market signals and changes in conditions impacting the credit markets are not overlooked. We believe an overreliance on historical data, quantitative analysis or third-party credit research has proven to be insufficient to assess credit risk. Our conservative approach to credit, coupled with the direct involvement of our portfolio management team, has resulted in what we believe are exceptional outcomes during times of stress.

6. Describe which performance benchmarks you would suggest given the City’s current investment policy. Would your firm be willing to manage to a customized benchmark?

It is our philosophy that a performance benchmark should reflect the level of risk and cash flow requirements in a managed portfolio. Client objectives differ widely, for this reason we work with clients to help them choose performance benchmarks consistent with their return expectations and risk tolerance. The benchmark utilized for return comparison will vary depending on the portfolio strategy, policy considerations, and cash flows for each client.



Our range of products reflects both the broad and diverse talents of our investment professionals and our desire to exceed the expectations of our clients. We provide the investment strategies detailed in the chart to the right.



Frequently Suggested Benchmarks for Liquidity/Surplus Funds:

We would recommend, and would conduct as an initial part of an engagement, a comprehensive cash flow analysis to determine: 1) the historical trend in aggregate balances; 2) the amount needed for liquidity during the current budget year; 3) the seasonality of cash flows throughout the year; and 4) the timing of large cash flows to establish key target maturity dates. Based on this information, we could confirm or recommend alternative strategies and allocations for the portfolio. If the funds mandate a nine to 12 months' maximum maturity, and likely an average maturity between three and six months, appropriate benchmarks for this strategy may be the ICE BofAML 3-month Treasury Bill, the S&P Rated GIP Index/All, or the ICE BofAML 6-month Treasury index.

Frequently Suggested Benchmarks for Reserve Funds:

If the cash flow analysis results determine that the City has excess funds that do not need to be readily available and can be invested in a separately managed individual portfolio, an appropriate benchmark may include the ICE BofAML 1-3 year Government (Treasury & Agency) Index. If the maturity parameters are broad and include maturities out to five years, the ICE BofAML 1-5 Year Government Index could also be considered.

PFM can also manage to a customized benchmark if required by the City.

7. Discuss general recommendations would you make to the City for modifying its current investment policy keeping in mind Chapter 218.415 of Florida Statutes, safety of principal, liquidity, yield maximization and managing interest rate risk.

We have reviewed the City's investment policy and the information provided through this request. Based on this we have some preliminary observations related to the investment policy listed below. If engaged by the City, PFM would do a thorough review of the policy and the City's written and unwritten investment goals and objectives to tailor our recommendations.

Preliminary Investment Policy Observations

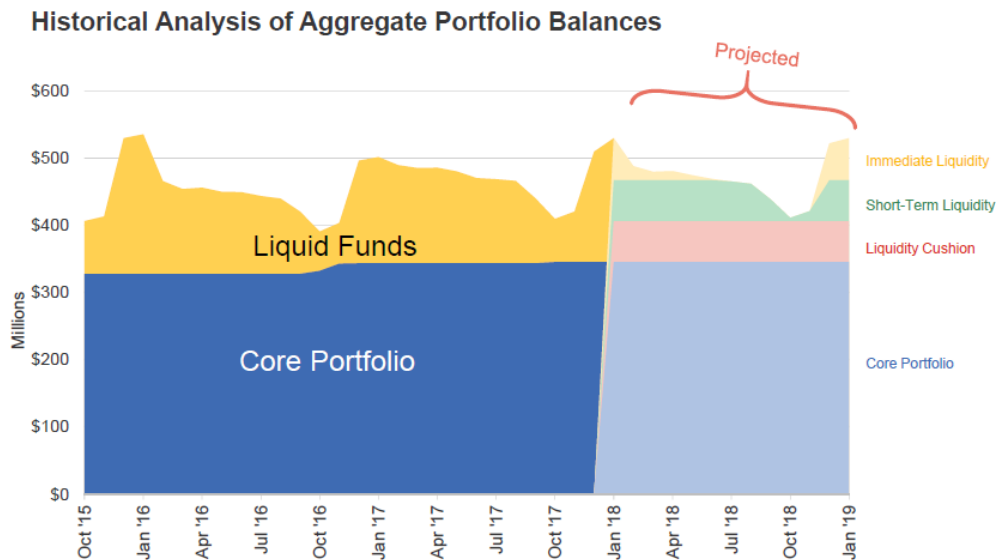
- Standard benchmarks should be used for performance monitoring and specified in the policy for both short term investments and the City's long-term investments.



- The sector definitions within the policy should be reviewed and updated. For example, the policy makes reference to SLMA securities within a sector to which they no longer belong.
- The average duration risk limit for the portfolio is 5 years. The City should evaluate if a lower risk limit is more appropriate in the current market environment. For example, a limit of 3 years would be consistent with other Florida cities but would still permit the use of the existing strategies.
- Credit ratings should be specified for all applicable sectors. For example, the current policy does not have a credit rating limit for Asset Backed Securities.
- As recommended by the Association for Public Treasurers of the US and Canada, the policy should include a pooled vehicle questionnaire to be completed prior to investment in these types of instruments. This would apply to investments like Florida PRIME (SBA) and the Florida League of Cities funds.

8. Discuss general recommendations you would make to the City's current investment portfolios, keeping in mind Chapter 218.415 of Florida Statutes, safety of principal, liquidity, yield maximization and managing interest rate risk.

The City has a significant portion of its assets in overnight investments. Based on a review of the City's past fiscal year end balances it appears that much of these overnight investments could be invested further along the yield curve for additional expected yield. For example, and for illustrative purposes only, a laddering strategy could be used for a portion of these overnight investments over a three to 12 month period. The choice of Investment maturities would be based on short-term interest rate expectations, expenditure requirements, and the yields available on applicable investments in those maturities.





Modeling of the City's historical cash balances and expenditure requirements would help in developing a short-term laddering strategy.

Additionally, the City has relatively high fee (0.21% to 0.23%) investment alternatives in the long-term portion of its portfolio. Since high fees can significantly reduce the City's returns, it may want to reduce its investment in these vehicles in favor of holding its securities directly at a lower cost.

9. **Lastly, if a review of historical and expected balances shows the City to have a high and stable core reserves balance, it can also explore using multi-asset class strategies for a small portion of these core assets. These types of strategies may complement the City's real estate holdings while providing a hedge against higher inflation reducing the purchasing power of its reserves. Describe the daily procedures for portfolio review and client contact. How often will you contact the City, and what will be the format? If the City calls, when can we expect you to return the call?**

Portfolio Review Procedures

PFM has a dedicated 25-person fixed-income trading desk and associated personnel that includes portfolio managers, traders, sector specialists, the Investment Services Group and the Portfolio Strategies Group. Each member of the trading desk has a particular sector specialty, focusing on those investment types permitted by the City's investment policy. This focus allows our traders and portfolio managers to gain in-depth knowledge that may not be found at smaller firms. Our average daily trading volume of nearly \$2 billion provides purchasing power and economies of scale.

Portfolios are reviewed daily using standardized reports that provide data on individual holdings and overall portfolio characteristics. Daily trading decisions are made and executed by the lead portfolio manager, and supported by one or more traders and representatives of the Portfolio Strategies Group. For non-discretionary management, trade recommendations are presented to the client for approval prior to execution. All trades are executed within each client's policy limits, which are monitored and ensured by the Bloomberg AIM trade compliance system. Trades are processed with compliance checks both before and after execution.

Client Contact

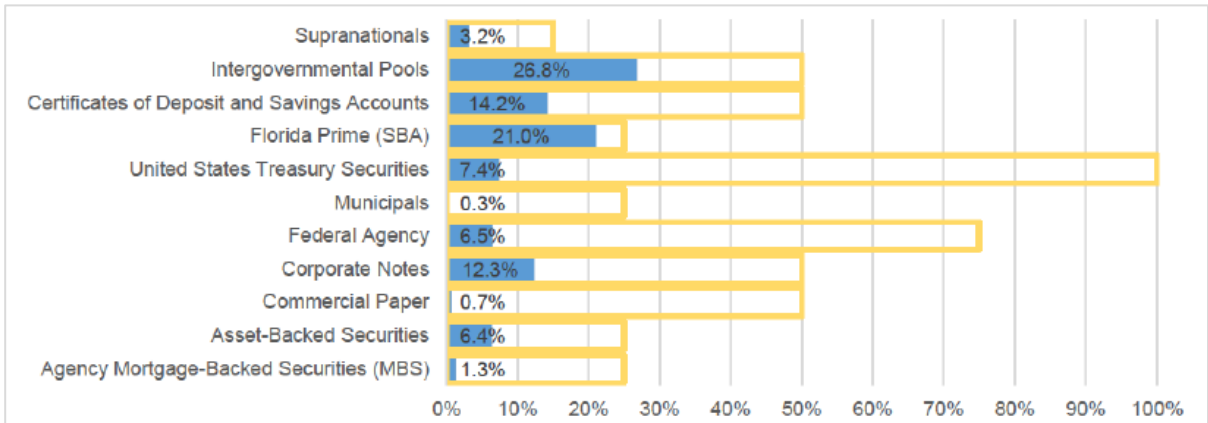
One of the distinguishing factors of our firm is our high level of client contact. The City should consider the proposed engagement team an extension of its staff. One of our roles is to proactively ensure clients' staff are always informed of the state of their portfolios and ongoing market events that affect them. To that end, the City's staff will have complete access to its portfolio managers, strategists, and each member of the engagement team. Mr. Human and Mr. Pengelly will be the primary points of contact, and their duties include adapting to changes in the City's objectives, ensuring that portfolio strategies continue to meet goals, and monitoring portfolio compliance. We encourage frequent dialogue between our portfolio managers, relationship managers, and clients' staff to help us effectively implement specific strategies. We strive to respond to clients' staff immediately after receiving a request, typically within 24 hours. Our goal is to be a resource and help in any way that our capacity will permit.



10. Describe your firm’s process for ensuring investment policy compliance, preventing and correcting investment policy exceptions and reporting of such compliance issues to the City.

We utilize Bloomberg AIM to house, monitor, and automate compliance assurance. During the account onboarding process, every client’s investment policy is entered in Bloomberg AIM and independently verified by our Compliance Group. All trades are processed through Bloomberg AIM, which verifies compliance with investment policy guidelines and limits on a pre-trade basis. Post-trade compliance is also checked after every trade. Lastly, every individually managed portfolio is run through an end-of-day compliance check. In addition, post-trade compliance is also confirmed by the following audit procedures:

- Portfolio managers and traders review daily holdings reports.
- Trading activity is regularly reviewed by the CIO.
- Monthly and quarterly client reports can be used to affirm compliance with client guidelines.
- Investment mandates are monitored through weekly internal portfolio reports that show detailed holdings, sector allocations, and key performance drivers, such as duration.



While we have systems and procedures designed to avoid such circumstances, if a client guideline is inadvertently violated, we would immediately notify the client, take corrective action, and make the client whole for any loss suffered during the period of non-compliance.



11. Describe training opportunities for City staff.

Training Opportunities

PFM provides a very comprehensive set of government treasury and educational services to benefit our clients that go beyond just portfolio management. We offer numerous educational seminars and workshops throughout the year as a benefit:

- Annual Investment Training Seminar:** Our Orlando office presents an investment training seminar each year. Past topics have included: Updating Investment Policies and Cash Flows, Financial Reporting, Elements of an Investment Program, Investment Compliance, Money Market Reform and Banking Relationships. This is a free seminar and meets the Florida State Statute 8-hour CPE credit requirement. This seminar has been provided to our clients for the past 18 years.
- Training Sessions:** Clients are invited annually to our corporate office in Philadelphia, Pennsylvania for a week-long training session by our financial professionals. During this intensive training, clients attend seminars on all aspects of finance, governance, debt issuance, pension, and other topics.
- Webinars and Conference Calls:** We provide periodic web and telephonic conferences covering a wide variety of investment, public-sector, economic, and other topics. If requested, our Orlando office can also offer quarterly performance reviews via webinar. These online reviews eliminate travel logistics and can be easily scheduled to accommodate City staff's busy work day.
- Off-site Client Training:** Clients are invited regularly to educational seminars, which we sponsor, that are held at off-site locations. These training events often feature industry subject matter experts on various public, pension, economic, investment, or other finance-related topics. Many of our training sessions also qualify for CPE credits.
- Customized In-House or On-site One-on-one Training:** Our Orlando office brings clients in for one-on-one training in our office. These training sessions are about 2 hours and are specific to the client's portfolio(s). Alternatively, we can also arrange to conduct training at the City's office to facilitate greater participation by the City's staff involved in investment activities.

Agenda	
8:00 - 8:30	Breakfast & Registration
8:30 - 8:40	Welcome & Introduction Steven Alexander, CFP, CFP®, CFPIT Managing Director, PFM Asset Management LLC
8:40 - 9:50	Keynote: Six Disruptive Demographics That Will Change America Forever James H. Johnson, Jr., PhD William Rand Kenan, Jr., Distinguished Professor of Entrepreneurship and Strategy Director, Urban Investment Strategies Center Kenan Institute of Private Enterprise The University of North Carolina at Chapel Hill



12. Briefly describe any additional feature, attributes or conditions, which the City should consider in selecting your firm.

We believe the best service we can provide to our clients is through partnership; therefore, we will strive to be considered an extension of your staff. Working together, we believe we can overcome your challenges and achieve your goals. Below are some of the additional services we feel could benefit the City and its investment program;



Cash Management (only Term product offered in Florida)

Florida Education Investment Trust Fund (“FEITF” or the “Fund”)



FEITF was formed in 2010 to give Florida school districts an alternative to the then existing local government investment pools. PFM was hired to serve as investment advisor and has since become administrator of the Fund. In 2013 the Fund expanded the pool of eligible participants to include all public entities in the State of Florida. FEITF offers two investment options: (i) the overnight liquidity portfolio with next day access; and (ii) the Term portfolio which will ladder investments over a stated period of time. These portfolios are managed to comply with the specific requirements of Florida law, particularly the laws applicable to the investment of investor funds, including those which govern the investment of public funds.⁵ The liquid portfolio of the Fund has received an ‘AAAm’ rating from Standard & Poor’s and the Term portfolio has received an ‘AAAf’ rating from Fitch and an ‘AAAfK’ rating from Kroll.⁶ The liquid portfolio provides daily liquidity for the cash and short-term investments of eligible investors while seeking to obtain a competitive rate of current income and maintain a stable net asset value of \$1.00 per share (and for Term, a net asset value of \$1.00 per share at its stated maturity). The Florida School Boards Association and The Florida Association of District School Superintendents sponsor FEITF. *This service would be negotiated under a separate contract.*

A copy of FEITF’s Information Statement can be found at www.feitf.com.

⁵ *This information is for institutional investor use only, not for further distribution to retail investors, and does not represent an offer to sell or a solicitation of an offer to buy or sell any fund or other security. Investors should consider the Florida Education Investment Trust Fund’s (the “Fund”) investment objectives, risks, charges and expenses before investing. This and other information about the Fund is available in the Fund’s Information Statement, which should be read carefully before investing. Copies of the Fund’s Information Statement may be obtained by calling 1-877-495-8246 or are available on the Fund’s website at www.feitf.com.*

*While the FEITF Portfolio seeks to maintain a stable net asset value of \$1.00 per share and the FEITF Term portfolio seeks to achieve a net asset value of \$1.00 per share at its stated maturity, it is possible to lose money investing in the Fund. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Shares of the Fund are distributed by **PFM Fund Distributors, Inc.**, member Financial Industry Regulatory Authority (FINRA) (www.finra.org) and Securities Investor Protection Corporation (SIPC) (www.sipc.org). PFM Fund Distributors, Inc. is a wholly owned subsidiary of PFM Asset Management LLC.*

⁶ *The Term portfolio has received a rating of AA Af from Fitch Ratings (“Fitch”) and a AA AfK rating from Kroll Bond Rating Agency (“Kroll”). The ratings reflect Fitch’s and Kroll’s review of the Term program’s investment and credit guidelines, the portfolio’s credit quality and diversification, as well as the capabilities of PFM Asset Management LLC as investment adviser. The Fitch AA Af rating indicates the highest underlying credit quality (or lowest vulnerability to default). The Kroll AA AfK rating is based on the credit quality of the underlying instruments that comprise the portfolio and is influenced by the results of a qualitative assessment of the investment adviser. However, it should be understood that these ratings are not “market” ratings nor a recommendation to buy, hold or sell the securities. For a full description on rating methodology visit www.fitchratings.com and www.krollratings.com/ratings/methodologies/rating-scales.*



Investment Policy Development

PFM's investment policy review framework incorporates over 37 years' experience managing public funds, a deep understanding of Florida Statutes, key principles of the Association of Public Treasurers of the United States and Canada, and GFOA best practices. Taken together, we strive to help clients develop comprehensive and effective policies and practices to govern their investment activities. We review our client's cash requirements, applicable regulations, and current investment staff and operations, and make recommendations regarding allowable investments (minimum credit quality, legal percentages, and maximum maturities) and policies to help ensure portfolio diversification. After a review of projected cash flow requirements and characteristics for the various investment funds, we evaluate how the investment policy correlates to the stated investment objectives for its funds.

Treasury Consulting Services

Choosing a banking provider for your cash management program often requires significant staff time and experience. How do you know you're getting the most value for cost? Are all of the banking services appropriate for your needs? How do you weigh the options? PFM can help you objectively answer these questions through our independent treasury consulting services. Our experienced professionals will assess your specific needs, evaluate your existing banking program, and guide you through the rebidding process to help maximize services for cost. *This service would be negotiated under a separate contract.*

Custodial Services Analysis

We have helped many clients procure custodial services customized to meet their needs. Many of our clients have requested that we perform this service for them which could potentially result in savings with reduced fees for custodial services. We can review the City's current custodial arrangement, and offer assistance which can vary from conducting a survey of options to running a full request for proposal for custodial services. We would consider factors such as number of governmental accounts serviced, bank rating, service office location, transaction settlement and failed float procedures, on-line access, insurance, customized reporting, and costs.

Portfolio Characteristics						
Assumptions						
Investment Portfolio		\$	40,000,000			
Total		\$	40,000,000			
Estimated Annual Trades			72			
Estimated Annual Waives			10			
Fees						
	Bank (1)	Bank (2)	Bank (3)			
Annual Administration Fee	0.0100%	\$4,000	Tiered Fee	\$3,750	0.0250%	\$10,000
Statement Accounting & Reporting						1,000
Trade Fee		\$6	432	\$8		376
Principal & Interest Payments				\$2		240
Wire Fee		\$5	50	\$10		100
Total Estimated Annual Fee		\$4,000		\$4,232		\$11,916
Minimum Annual Fee		\$3,000		\$4,000		\$10,000

(1) Annual market value fee of 1 bps with a minimum annual fee of \$ 3,000.00.

(2) has a tiered fee on Market Value of 0.01% on the first \$35 million, 0.005% on the next \$40 million, and 0.004% over \$75 million. Minimum annual fee of \$3,500 for automated sweep accounts. Book Entry Trades (Automated) \$6.00 per transaction. Wire Distributions \$5.00 per transaction. \$3,500 Annual Relationship Minimum Fee for automated sweep accounts. \$500 Annual Minimum Fee per account (Rolls Into Relationship Minimum Total).

(3) has a flat fee of 2.5 bps (0.25%) on market value with a minimum annual fee of \$10,000. Additionally, B of A charges \$1,000 for Statement Accounting & Reporting. Domestic Depository Settlements (includes DTC, Fed/Repos/Reverse Repos, ADR, Free Receives/Delivers, Matrices \$8.00 per transaction, Principal & Interest Payments - Pooled Assets (120 volume) \$2.00 per transaction and Outgoing Wires \$10.00 per transaction.

P-Card

PFM offers a purchasing card program to assist our clients with purchasing needs. PFM's Payment Solutions program offers benefits that we believe are quite unique compared to those offered by our competitors. Our program does not incorporate calculations such as average transaction size, file turn days, average large ticket transaction size, average spend per card, minimum spend per card, or other



qualifiers which may have a negative impact upon your rebate with competitor programs. We continually work as an extension of your staff, providing what we believe to be the highest level of training and technical assistance on the purchasing card system (Spend Dynamics®). We will assist you with importing/exporting the Spend Dynamics transactional data to your financial software (ERP). *This service would be negotiated under a separate contract with PFM Financial Services LLC.*

Multi-Asset Class Investment Management

PFM offers multi-asset class portfolio management, a comprehensive investment solution that provides asset allocation, manager research, and continuous monitoring— offering a broad range of portfolios and investment strategies for endowment, foundation, pension, and other post-employment benefits (OPEB) funds. When managing multi-asset class portfolios, we collaborate with the client to determine suitable asset classes for investment, as well as asset allocation parameters. Then, we use our discretion to select, monitor, and terminate investment managers or funds on behalf of our clients. *This service would be negotiated under a separate contract.*

Bond Proceeds Management

PFM has more than two decades of experience managing bond proceeds for public-sector investors, from which we have gained a deep understanding of their investment guidelines and challenges. We use sophisticated portfolio optimization software and work closely with our fixed-income trading desk to structure and competitively procure portfolios based on expected cash flow needs as well as current and projected market conditions. After considering the project's distinct characteristics, we help clients decide whether an active or passive approach would be the most likely to generate the highest net return. *The passive approach would incur a one-time structuring fee, and would be negotiated under a separate contract.*

Arbitrage Rebate Services

For more than 25 years, PFM has offered the public sector valuable insight during both the pre- and post-issuance phases of tax-advantaged bonds. Our dedicated Arbitrage and Tax Compliance Group is focused on providing arbitrage rebate, post-issuance compliance, and verification agent services to tax-advantaged issuers. We believe our proprietary models go a step further than the average rebate consultant, allowing us the flexibility needed to analyze a wide variety of tax scenarios. In our opinion “Off-the-shelf” software packages, which other consultants typically use, do not offer the level of customization needed to thoroughly evaluate an issue's compliance status. *This service would be negotiated under a separate contract.*



13. Provide the last five years of your firm’s portfolio performance. Portfolio should be similar to what the City’s portfolio is currently comprise of.

Strategy/Benchmark	Average Annual Total Returns						Duration	Standard Deviation of Returns	No. of Accounts	Assets (in \$ Millions)
	for periods ended June 30, 2018									
	2Q18	1 Year	3 Years	5 Years	7 Years	10 Years				
PFM Enhanced Cash Composite <i>ICE BofAML 1 Yr Treasury Index</i>	0.51%	1.16%	0.99%	0.82%	0.72%	1.07%	0.63	0.27%	17	1,646
PFM 1-3 Year Fixed Income Composite <i>ICE BofAML 1-3 Treasury Index</i>	0.40%	0.92%	0.64%	0.49%	0.43%	0.77%	0.90	0.24%	161	11,220
PFM 1-5 Year Fixed Income Composite <i>ICE BofAML 1-5 Treasury Index</i>	0.36%	0.38%	0.75%	0.81%	0.80%	1.56%	1.68	0.61%	125	8,504
<i>ICE BofAML 1-5 Gov't/Corp, AA or better</i>	0.22%	0.08%	0.42%	0.58%	0.58%	1.24%	1.80	0.68%		
PFM 1-10 Year Fixed Income Composite <i>ICE BofAML 1-10 Treasury Index</i>	0.27%	-0.08%	0.82%	1.08%	1.17%	2.16%	2.37	1.14%	19	810
	0.13%	-0.35%	0.50%	0.81%	0.89%	1.79%	2.58	1.30%		
	0.15%	-0.27%	0.58%	0.89%	0.96%	1.89%	2.54	1.26%		
	0.17%	-0.33%	1.09%	1.46%	1.73%	2.91%	3.48	1.81%		
	0.06%	-0.70%	0.65%	1.09%	1.45%	2.47%	3.64	2.10%		

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate. Data shown is prior to the deduction of investment advisory fees. GIPS compliant composite presentations are available upon request. For important disclosure information please go to pfm.com/disclosures.

Benchmark source: Bloomberg. All benchmarks represent total returns for the noted periods, with the exception of the ICE BofAML Constant 5-Year Maturity Treasury Index, which represents a book value return by utilizing the rolling 60-month moving average yield. As the stable value benchmark is an equally weighted rolling 60-month moving average of a 5-year Treasury security for each month, the 2.54 year duration noted above represents a weighted average maturity (WAM).

Our complete fixed income composites are provided in Appendix D.

PFM’s investment performance is calculated and presented in accordance with the CFA Institute’s Global Investment Performance Standards (“GIPS®”). Our composites have been independently verified and complied with all the composite construction requirements from January 1, 2006 through December 31, 2015. Performance for 2016 and 2017 will be reviewed later this year and we expect to review performance each year thereafter. Verification is the review of an investment management firm’s performance measurement processes and procedures by an independent third-party verifier. Specifically, the substantiation assesses whether the firm has complied with all the composite construction requirements of GIPS® on a firm-wide basis. It also tests whether the firm’s policies and procedures are designed to calculate and present performance in compliance with GIPS®. We encourage all prospective investors to ask firms if they are GIPS®-compliant and, if they are, what kind of internal controls exist to help ensure compliance. A copy of the verification report is available upon request.



Tab 8. Accounting and Reporting

1. Describe the investment accounting and reporting system used by your firm, and confirm that it complies with the Global Investment Performance Standards (GIPS) as developed by the CFA Institute.

It is paramount that our clients receive accurate and timely reports. PFM uses SS&C CAMRA, an industry-leading investment accounting system, to provide reports on security transactions and portfolio positions (on both a fair value basis and on an amortized cost basis) and to track credit quality on issuers and securities. This system:

- Facilitates access to information within the database regarding the status of accounts managed or advised by our firm;
- Allows our firm to perform both security-specific analyses and analyses of a group of securities or an entire portfolio; and
- Allows us to further customize reports according to the specifications of our clients.

PFM provides investment performance on a total return basis. We calculate investment performance using the Modified Dietz time-weighted methodology, consistent with the CFA Institute's GIPS®, which are a set of industry-wide principles that guide investment firms on how to calculate and report their investment results to clients and prospective clients.

2. Describe your firm's knowledge of and ability to assist in the compliance with GASB 31, 40, 72, and any other statements related to investment.

We are very familiar with GASB requirements. Debra Goodnight, CPA, our Chief Accounting Officer has participated in a task force for the Governmental Accounting Standards Board ("GASB") Deposit and Investment Risks Project. We have always advocated a conservative strategy that emphasized investing within the constraints established by cash flow requirements and the duration band approach. We developed this method years before GASB 31 was written, although we believe it is the most appropriate response to this standard. We have also developed specialized accounting reports that are fully compliant with the reporting requirements of GASB 31 so that all of our clients can easily account for unrealized gains and losses on a monthly or quarterly basis.

Our reports incorporate Generally Accepted Accounting Principles ("GAAP") and GASB standards, providing market valuations as well as book values (amortized cost). Our monthly reports provide the necessary accounting information required for GASB 40 compliance. As part of our services, we assist clients in preparing the investment risk disclosure notes pursuant to GASB 40 for inclusion in their Comprehensive Annual Financial Reports ("CAFRs").



GASB 72 requires state and local governments to measure certain assets and liabilities at fair value based on an exit price. This guidance from GASB also outlines which fair value disclosures should be included in financial statements. The custodian is the official record-keeper responsible for detailing investments held on behalf of the investor and therefore, we believe dedicated custodians are best positioned to report on value holdings because of their infrastructure and internal controls. The City's custodian should be able to provide a document that describes how securities are categorized. We have assisted clients in requesting GASB 72 data from their custodians. Additionally, we have assisted in providing a sample footnote disclosure for their financial statements.



3. Describe the frequency and format of reports that you would provide to City (including the methods and formulas used to calculate yield and performance). Sample reports should be included as exhibits to your proposal.

A sampling of the reports that we will provide to the City are described below. These reports will detail the performance of the City's investments; illustrate diversity of investments and investment policy compliance with regard to asset allocation; present timely economic and market information; and provide security transaction documentation as well as planning tools for cash flows.

We will provide trade confirmations to you and your custodian on the day the trade is executed through our secure reporting web site Easy Online Network ("EON"). These confirmations will provide the City with an audit trail for transactions that occur within the portfolio. In executing trades for the City, we will only deal with those firms on our approved broker-dealer list. We will also coordinate the settlement of each transaction with the City's custodian.

Sample reports are provided in Appendix G.

Report/Format	Frequency	Content/Features
Daily Holdings (EON)	Daily	Holdings report showing securities, par, cost, duration, purchase yields, and discounts as of the prior business day.
Transactions (EON)	Daily	Description of any security transactions month-to-date as of the prior business day.
Portfolio Holdings and Activity Report (Internet and by mail)	Monthly (Generally available online by the 3 rd business day; they are online and mailed by no later than the 5 th business day)	This reports includes a detailed description of all securities in the portfolio, summary of realized and unrealized earnings for the month, report of all purchases, sales, maturities, interest deposits, and withdrawals for each separate account. The report also contains all the information required by GASB 31, and provides the month-end credit quality ratings to comply with the Credit Risk Disclosure requirement and



Report/Format	Frequency	Content/Features
		duration by investment type to facilitate compliance with the Interest Rate Disclosure requirement of GASB 40.
Asset Allocation Chart	Quarterly	We can customize an asset allocation chart that combines the assets we manage with assets managed by the City to compare the sector allocation and individual issuer allocation to the permitted allocation limits set forth in the City's Investment Policy. This chart documents the City's compliance with the Investment Policy on a quarterly basis.
Market Commentary (Electronic)	Monthly (Typically available by the 3rd business day)	Summary of recent market events and the outlook for investment opportunities moving forward.
Performance Report (In-person meeting, electronic, and by mail)	Quarterly (Available 20-30 days after quarter end, depending on required exhibits)	Quarterly reports include: (i) an aggregate portfolio sector, maturity, and credit-quality distribution; (ii) an aggregate view of performance portfolios by investment strategy; (iii) a portfolio strategy recap and market outlook, including recommended changes to strategy; (iv) individual portfolio sector, maturity, and credit quality distribution; (v) performance statistics compared to a market benchmark; and (vi) a high level economic and investment-sector performance synopsis.

Additional Reporting Information

For its investment advisory business, PFM has a dedicated Accounting Department focused on reconciliation with custody bank statements and portfolio performance returns. Our GASB 40-compliant month-end statements include the necessary accounting information required for entry into the City's general ledger and are available by the 4th business day of each month (through our on-line portal EON). In addition, our quarterly investment performance reports which provide total return performance (presented in compliance with GIPS®), present significant portfolio detail regarding performance of the portfolio versus relevant benchmarks, investment holdings, maturities, transactions, investment strategies, and the economy during the quarter and are available approximately 45 days after quarter end.

A member of PFM's asset management team will participate by conference call or in person at the periodic Investment Committee and City Council meetings. We strongly encourage all of our clients to meet with us at least on a quarterly basis to: discuss the performance of the investment portfolio, review the quarterly reports, recap the prior quarter, reveal future investment strategies and discover expected cash flow needs. These meetings will be conducted by Scott Stitche, CFA, Jason Human, Richard Pengelly, CFA, CTP or Steven Alexander, CTP, CGFO, CPPT.



Below shows the total return calculation and defines how the cash flows are apportioned to affect the average amount invested (EV0 + WCF) during the month.

$$\text{Rate of Return} = \frac{\text{Change in Market Value} - \text{Cash Flow}}{\text{Amount Invested}}$$

$$RM = \frac{EV1 - EV0 - NCF}{EV0 + WCF}$$

Where:

EV1 is the end of month market value including due and accrued income

EV0 is the end of prior month market value including due and accrued

NCF is the net cash flow during the month

$$\text{Asset Class NCF} = \text{Purchases} + \text{Transfers In Sales} - \text{Transfers Out} - \text{Income Received}$$

WCF is the weighted net cash flow during the month (each positive cash flow times the number of days it was invested plus each negative cash flow times the number of days it was not invested)

$$WCF = \sum CF_d \frac{D_m - d + 1}{D_m}$$

CF_d is the net cash flow for the day

d is the day of the month

D_m is the number of days in the month

4. Describe your firm’s online reporting capabilities

PFM offers online reporting for client holdings through EON, our Internet reporting site that is available 24/7. EON houses most of PFM’s available reports, including the City’s quarterly performance reports, and offers daily access to portfolio holdings and transactions, as well as the ability to review and print complete portfolio details. Daily confirmation statements are available through EON on the next business day. Monthly statements are available online through EON no later than the second business day of the new month to help clients with month-end closing and reconciliations. Additionally, transactions can be queried and downloaded from EON in a comma-separated values (“CSV”) format or in Microsoft Excel format so that the City can easily upload this information to its own accounting systems if desired. Industry-standard site security and a confidential password help ensure the confidentiality of the City’s portfolio data.





Tab 9. Fee Structure

1. **Provide the fee schedule that would apply to this account for seven (7) years. Investment manager will provide recommendations to the City on the best investment options; however, the fee should be based on the actual managed portfolio. This information must be provided utilizing Attachment Q – Fee Structure. Fees must also include the custodial fees for the account.**
 - a. **Although the Investment Management Services Firm will not provide custodial services or security safekeeping, they will obtain the services of a Custodian and agree that the Custodian Services fee will be included in the Investment Management Services' fee.**

PFM's completed Fee Structure Form (Attachment Q) is provided behind **Tab 10 Other Completed Documents**.

PFM's sample investment advisory services contract is provided in Appendix E.

Custodian fees are included within our schedule and estimated based on indicative fees from U.S. Bank National Association ("US Bank"). However, please note that we believe investors should carefully understand the manner in which their assets are held in safekeeping as well as the costs involved in custodial services. In selecting a custodial arrangement, we encourage investors to look for the following best practice features:

- A separate agreement, distinct from the brokerage or investment advisory contract
- Assets are held in the investor's name
- Separate invoices detailing the services and associated costs
- Accounting guidelines that follow GAAP and meet GASB requirements as applicable
- Internal controls, such as audit procedures and SSAE 16 reports

Meeting all of these criteria helps ensure that the custodial arrangement is in the investor's best interest, maintains transparency, and supports accurate reporting.

2. **Please also provide a copy of the Agreement for Custodial Services with the selected Custodian. Note – The City has provided a Template Agreement for the Investment Management Services.**

US Bank has given PFM a form of custodial service agreement which is provided in Appendix F. As required by the City in this request for proposal, PFM will not be providing custodial services and will not be a party to this agreement. The City will negotiate directly with US Bank on its custody arrangement with them.



Tab 10. Other Completed Documents:

1. **Attachment A: Contact Information Form (Vendor must select the option from the Minimum Qualification Checklist)**
2. **Attachment B: Vendor Information Form and a W-9**
 - a. In addition to the Vendor Information Form, please ensure that you provide the completed W-9 (Rev. November 2017), as previously dated versions of this form will delay the processing of any payments to the awarded vendor.
3. **Attachment C: Non-Collusive Affidavit**
4. **Attachment D: Sworn Statement on Public Entity Crimes Form**
5. **Attachment E: Local Vendor Preference Certification**
 - a. If claiming Local Pembroke Pines Vendor Preference, business must attach a current business tax receipt from the City of Pembroke Pines
 - b. If claiming Local Broward County Vendor Preference, business must attach a current business tax receipt from Broward County or the city within Broward County where the business resides.
 - c. The Local Vendor Preference Certification form must be completed by/for the proposer; the proposer WILL NOT qualify for Local Vendor Preference based on their sub-contractors' qualifications.
6. **Attachment F: Veteran Owned Small Business Preference Certification**
 - a. If claiming Veteran Owned Small Business Preference Certification, business must attach the "Determination Letter" from the United States Department of Veteran Affairs Center for Verification and Evaluation notifying the business that they have been approved as a Veteran Owned Small Business (VOSB).
 - b. The Veteran Owned Small Business Preference Certification form must be completed by/for the proposer; the proposer WILL NOT qualify for Veteran Owned Small Business Preference based on their sub-contractors' qualifications.
7. **Attachment G: Equal Benefits Certification Form**
8. **Attachment H: Vendor Drug-Free Workplace Certification Form**
9. **Attachment I: Vendor Certification Regarding Scrutinized Companies List**
10. **Attachment J: Proposer's Completed Qualification Statement**



Tab 11. Additional Information:

Please provide any additional information that you deem necessary to complete your proposal in this section, if it has not been requested in another section.

EXCEPTIONS

Section 2 Insurance Requirements

The CONTRACTOR shall indemnify and hold harmless the CITY and its officers, employees, agents and instrumentalities from any and all liability, losses or damages, including attorneys' fees and costs of defense, which the CITY or its officers, employees, agents or instrumentalities may incur as a result of claims, demands, suits, causes of actions or proceedings of any kind or nature arising out of, relating to or resulting from the **negligent or intentionally wrongful** performance of this Agreement by the CONTRACTOR or its employees, agents, servants, partners principals or subcontractors. The CONTRACTOR shall pay all claims and losses in connection therewith and shall investigate and defend all claims, suits or actions of any kind or nature in the name of the CITY, where applicable, including appellate proceedings, and shall pay all costs, judgments, and attorney's fees which may issue thereon. The CONTRACTOR expressly understands and agrees that any insurance protection required by this Agreement or otherwise provided by the CONTRACTOR shall in no way limit the responsibility to indemnify, keep and save harmless and defend the CITY or its officers, employees, agents and instrumentalities as herein provided.

PFM Asset Management LLC respectfully requests the opportunity to negotiate the indemnification language in any resulting agreement so that PFM Asset Management LLC's obligation to indemnify is limited to circumstances in which its performance has been wrongful, which would include negligent or intentionally wrongful acts.

PROFESSIONAL LIABILITY Manager shall maintain Professional Liability insurance in an amount not less than \$5,000,000 (five million dollars) per wrongful act. This coverage shall be maintained for a period of no less than three (3) years after final payment of the Agreement.

PFM's professional liability policy is separate from its general liability.

CYBER LIABILITY including Network Security and Privacy Liability when applicable, with a limit of liability no less than \$1,000,000 per loss. Coverage shall include liability arising from: **the negligent or intentionally wrongful performance of the Agreement, or theft, dissemination and/or use of confidential information stored or transmitted in electronic form, unauthorized access to, use of, or tampering with computer systems, including hacker attacks or inability of an authorized third party to gain access to your services, including denial of service, and the introduction of a computer virus into, or otherwise causing damage to, a customer's or third person's computer, computer system, network, or similar computer-related property and the data, software and programs thereon.** This coverage shall be maintained for a period of no less than three (3) years after final payment of the contract. The City of Pembroke Pines must be shown as an additional insured with respect to this coverage. Furthermore, the CITY'S Additional Insured status shall extend to any coverage beyond the minimum requirements for limits of liability found herein.

PFM Asset Management LLC respectfully requests the opportunity to negotiate the indemnification language in any resulting agreement so that PFM Asset Management LLC's obligation to indemnify is



limited to circumstances in which its performance has been wrongful, which would include negligent or intentionally wrongful acts.

Section 3

Indemnification

3.26 INDEMNIFICATION The Successful Proposer shall pay all claims, losses, liens, settlements or judgments of any nature whatsoever in connection with the subsequent indemnifications including, but not limited to, reasonable attorney's fees (including appellate attorney's fees) and costs. CITY reserves the right to select its own legal counsel to conduct any defense in any such proceeding and all costs and fees associated therewith shall be the responsibility of Successful Proposer under the indemnification agreement. Nothing contained herein is intended nor shall it be construed to waive City's rights and immunities under the common law or Florida Statute 768.28 as amended from time to time.

General Indemnification

To the fullest extent permitted by laws and regulations, Successful Proposer shall indemnify, defend, save and hold harmless the CITY, its officers, agents and employees, harmless from any and all claims, damages, losses, liabilities and expenses, direct or alleged to have arisen out of, ~~indirect or consequential arising out of or in consequential arising out of or alleged to have arisen out of or in consequence of the products, goods or negligent or intentionally wrongful services~~ furnished by or operations of the Successful Proposer or his subcontractors, agents, officers, employees or independent contractors pursuant to or in the negligent or intentionally wrongful performance of the Contract.

PFM Asset Management LLC respectfully requests the opportunity to negotiate the indemnification language in any resulting agreement so that PFM Asset Management LLC's obligation to indemnify is limited to circumstances in which its performance has been wrongful, which would include negligent or intentionally wrongful acts.

Patent Copyright Indemnification

Patent and Copyright Indemnification: Successful Proposer agrees to indemnify, defend, save and hold harmless the CITY, its officers, agents and employees, from all claims, damages, losses, liabilities and expenses arising out of any alleged infringement of copyrights, patent rights and/or the unauthorized or unlicensed use of any invention, process, material, property or other work manufactured or used in connection with the negligent or intentionally wrongful performance of the Contract, including its use by CITY.

See above.



Investment Management Agreement

Article 2 – Services and Responsibilities

2.13. All information and advice furnished by either party to the other shall be treated as confidential and shall not be disclosed to third parties except as may be required by law or **judicial or regulatory process** (including, without limitation, the full disclosure requirements of Florida Statutes Chapter 119) or as may be necessary or appropriate in the performance by the MANAGER of its obligations under this Agreement, provided that the MANAGER may (i) refer to the CITY and the Account in connection with its marketing activities, and (ii) provide information regarding the Account to its affiliates.

Explanation: PFM Asset Management LLC respectfully requests the opportunity to negotiate the confidentiality language in any resulting agreement to allow PFM Asset Management LLC to disclose confidential information if PFM Asset Management LLC is required to do so by law or regulatory or judicial process. If PFM Asset Management LLC is served with a subpoena requiring the production of the confidential information, we need to be able to comply with the subpoena, without that compliance constituting a breach of any resulting agreement.

Article 3 – Term and Termination

3.4 Default by MANAGER: In addition to all other remedies available ~~to CITY~~, this Agreement shall be subject to cancellation by ~~CITY either party~~ for cause, should MANAGER neglect or fail to perform or observe any of the terms, provisions, conditions, or requirements herein contained, if such neglect or failure shall continue for a period of thirty (30) days

PFM Asset Management LLC respectfully requests the opportunity to negotiate the termination language to allow for mutual termination rights.

Article 7 – Required Insurance

(e) Manager shall maintain investment adviser Errors and Omissions Liability insurance in an amount not less than \$10,000,000 (ten million dollars) per **negligent or intentionally wrongful act**. This coverage shall be maintained for a period of no less than two (2) years after final payment of the Agreement.

PFM Asset Management LLC respectfully requests the opportunity to negotiate the indemnification language in any resulting agreement so that PFM Asset Management LLC's obligation to indemnify is limited to circumstances in which its performance has been wrongful, which would include negligent or intentionally wrongful acts.



Article 15 – Dispute Resolution

~~15.1 In addition to any other remedy provided hereunder, CITY, at its option, may use arbitration to resolve any controversy or claim arising out of or relating to this Agreement if arbitration is elected by CITY. Any controversy or claim arising out of or relating to this Agreement, or breach thereof, may be settled by arbitration in accordance with the rules of the American Arbitration Association and judgment upon the award rendered by the arbitrators may be entered into by any court having jurisdiction thereof. In the event arbitration is elected by CITY, such controversy or claim shall be submitted to one arbitrator selected from the National Panel of The American Arbitration Association.~~

As a matter of firm policy, PFM Asset Management LLC does not agree to arbitration provisions.

If PFM Asset Management LLC is awarded the engagement, we respectfully request the inclusion of certain provisions in the resulting contract that are driven by our status as an investment advisor registered under the Investment Advisers Act of 1940 (e.g., registered advisor description; conflict of interest provision; our maintenance of books and records; and our disclosure statement [Form ADV, Parts 2A and 2B]).

Article 16 – Miscellaneous

16.15 Scrutinized Companies. CONTRACTOR, its principals or owners, certify that they are not listed on the Scrutinized Companies that Boycott Israel List, **provided, however, that nothing herein to the contrary shall cause the above named company to violate any applicable laws,** Scrutinized Companies with Activities in Sudan List, Scrutinized Companies with Activities in the Iran Petroleum Energy Sector List, or is engaged in business operations with Syria. In accordance with Florida Statute 287.135, as amended, a company is ineligible to, and may not, bid on, submit a proposal for, or enter into or renew a contract with any agency or local governmental entity for goods or services if:

16.15.1 Any amount of, at the time bidding on, submitting a proposal for, or entering into or renewing such contract, the company is on the Scrutinized Companies that Boycott Israel List, created pursuant to s. 215.4725 or is engaged in a boycott of Israel; or

16.15.2 One million dollars or more if, at the time of bidding on, submitting a proposal for, or entering into or renewing such contract, the company:

16.15.2.1 Is on the Scrutinized Companies with Activities in Sudan List or the Scrutinized Companies with Activities in the Iran Petroleum Energy Sector List, created pursuant to s. 215.473; or

16.15.2.2 Is engaged in business operations in Syria.

PFM Asset Management LLC respectfully requests the opportunity to negotiate the confidentiality language in any resulting agreement to allow PFM Asset Management LLC to retain a copy of the information for compliance with regulatory requirements or if the information is stored electronically.

If PFM Asset Management LLC is awarded the engagement, we respectfully request the inclusion of certain provisions in the resulting contract that are driven by our status as an investment advisor



registered under the Investment Advisers Act of 1940 (e.g., registered advisor description; conflict of interest provision; our maintenance of books and records; and our disclosure statement [Form ADV, Parts 2A and 2B]).



I. Appendices



A. Form ADV Parts 1, 2A & 2B



B. Certificates of Insurance



C. Resumes



D. Fixed Income Composites



E. Sample Investment Advisory Services Contract



F. Sample Custodial Services Agreement and Fees Schedule – US Bank



G. Sample Reports



i. Monthly Performance Reporting



ii. Sample Quarterly Investment Performance Report



iii. Monthly Market Review



iv. Economic Market Update