

Proposal Fee Discount

PFM strongly encourages clients to follow industry best practices that create clear and distinct separation of investment advisory services and the custody of assets.

The proposed fees based on our proposal response in Appendix Q are as follows:

Investment Fee:

Assets Under Management	Investment Fee
First \$25 Million	10 bps (0.10%)
Next \$25 Million	8 bps (0.08%)
Next \$50 Million	7 bps (0.07%)
On the Balance Over \$100 Million	6 bps (0.06%)

Custodian Fee:

1bps for first \$35 million, 0.5bps on the next \$40 million, and 0.4bps on amounts in excess of \$75 million. This fee also assumes 10 trades a month at \$6 per trade.

We included an example in Appendix Q of the proposal showing the calculation for a \$100 million account that would equate to \$80,000 for investment fees plus \$7,220 for custodian fees equating to a total fee of \$87,220. Therefore the City would pay a total fee of \$87,220 of which \$7,220 would go to the custodian.

For an account size of \$35 million, which is indicative of the City's historical account size, the fee proposal would equate to \$33,000 for investment fees plus \$4,220 for custodian fees equating to a total fee of \$37,220 per year. Therefore the City would pay a total fee of \$37,220 of which \$4,220 would go to the custodian.

Fee Discount

Based on estimated annual custody costs of \$4,220, for the 5 year period of the contract the total custody fees would equal \$21,100. PFM is able to provide a fee discount that would offset custody fees over a five year period as follows:

	Assets (\$million)	Assumed Custody Fee	Standard Investment Advisor Fee	Original Proposed Total Fees Paid by City	Discounted Investment Advisor Fee	Discounted Fees Paid by City
Year 1	\$ 35	\$ 4,220	\$ 33,000	\$ 37,220	\$ 25,250	\$ 29,470
Year 2	\$ 35	4,220	33,000	37,220	25,250	29,470
Year 3	\$ 35	4,220	33,000	37,220	27,400	31,620
Year 4	\$ 35	4,220	33,000	37,220	33,000	37,220
Year 5	\$ 35	4,220	33,000	37,220	33,000	37,220
5 Year Fee		\$ 21,100	\$ 165,000	\$ 186,100	\$ 143,900	\$ 165,000
Discount						\$ 21,100

The discounted investment advisory fee was calculated using the following graduated fee schedule:

Assets Under Management	Year 1	Year 2	Year 3	Year 4	Year 5
First \$25 Million	7.3 bps (0.073%)	7.3 bps (0.073%)	8.0 bps (0.080%)	10 bps (0.10%)	10 bps (0.10%)
Next \$25 Million	7.0 bps (0.070%)	7.0 bps (0.070%)	7.4 bps (0.074%)	8 bps (0.08%)	8 bps (0.08%)
Next \$50 Million	6.5 bps (0.065%)	6.5 bps (0.065%)	6.8 bps (0.068%)	7 bps (0.07%)	7 bps (0.07%)
Over \$100 Million	6.0 bps (0.060%)	6.0 bps (0.060%)	6.0 bps (0.060%)	6 bps (0.06%)	6 bps (0.06%)