

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS  
OF SAN BERNARDINO COUNTY  
AND RECORD OF ACTION**

January 28, 2025

**FROM**

**ENSEN MASON, Auditor-Controller/Treasurer/Tax Collector**

**SUBJECT**

Amendment to Agreement with PFM Asset Management LLC for Investment Advisory Services for the San Bernardino County Flood Control District

**RECOMMENDATION(S)**

Approve **Amendment No. 2** to **Agreement No. 19-12** with PFM Asset Management LLC to assign the Agreement to U.S. Bancorp Asset Management, Inc. and extend investment advisory services for the San Bernardino County Flood Control District, originally scheduled to end on January 28, 2025, for an additional nine months, for the total contract period of January 29, 2019, through October 31, 2025, with no change to the annual fee of eight basis points (0.08%). (Presenter: Ensen Mason, Auditor-Controller/Treasurer/Tax Collector, 382-7000)

**COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES**

**Operate in a Fiscally-Responsible and Business-Like Manner.**

**FINANCIAL IMPACT**

Approval of this item will not result in the use of Discretionary General Funding (Net County Cost). The annual fee, paid in monthly installments, is based on the daily net asset balances under investment management (which may vary on a year-over-year basis due to deposits and drawdowns) at an annual rate of eight basis points (0.08%). Based on current asset balances, the total annual cost is estimated at \$11,500. These costs are funded with property taxes received by the San Bernardino County Flood Control District (District). Adequate appropriation has been included in both the Auditor-Controller/Treasurer/Tax Collector's (ATC) 2024-25 budget and the District's 2024-25 budget, and will be included in future recommended budgets. The District reimburses ATC for the annual costs incurred.

**BACKGROUND INFORMATION**

As a result of the issuance of Judgment Obligation Bonds in 2007, a portion of the District's funds are held outside of the County Treasury Pool and invested pursuant to the Bond Indenture of Trust (Indenture). Per the Indenture, these funds must be invested in instruments that are not permitted under the County's Investment Policy. The requirement to invest the District's funds in this manner allows the District to achieve the lowest overall borrowing cost, while also allowing them to maintain sufficient cash balances to respond to flood emergencies.

On April 24, 2007 (Item No. 46), the Board of Supervisors (Board) approved an exception to the County Investment Policy on an annual basis to allow the investment of these funds as required in the Indenture.

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On September 18, 2007, the County entered into an Investment Advisory Agreement with PFM Asset Management LLC (PFM) via a purchase order, which was reviewed and renewed annually, to allow for the investment of the District's funds as specified in the Indenture.

As the result of a competitive process, on July 8, 2014 (Item No. 13), the Board approved Agreement No. 14-568 with PFM for investment advisory services for the District at an annual fee of 12 basis points (0.12%), from July 8, 2014, through January 28, 2017, with an option to extend services for two one-year periods. On January 24, 2017 (Item No. 14), the Board approved the first one-year option to extend Agreement No. 14-568 through January 28, 2018. On January 23, 2018 (Item No. 20), the Board approved the second one-year option to extend Agreement No. 14-568 through January 28, 2019.

As the result of a competitive process, on January 8, 2019 (Item No. 8), the Board approved Agreement No. 19-12 with PFM for investment advisory services for the District at an annual fee of eight basis points (0.08%), commencing on January 29, 2019, with an initial termination date of January 28, 2024. On January 23, 2024 (Item No. 19), the Board approved a one-year extension to Agreement No. 19-12 through January 28, 2025.

In July 2024, PFM informed the County that it was consolidating client accounts under its parent company, U.S. Bancorp Asset Management, Inc. (USBAM), which is a registered investment adviser with the Securities and Exchange Commission. PFM will continue to serve the public sector as a division of USBAM. The recommended amendment recognizes the consolidation and assigns the contract to USBAM.

ATC recommends approval of the amendment and the extended contract term to allow for the continued management and investment of the District's funds in a cost-effective manner as specified in the Indenture, pursuant to the requirements stipulated when the Judgment Obligation Bonds were issued.

**PROCUREMENT**

On October 20, 2023, ATC released Request for Proposals (RFP) No. ACT124-ACTT-5155 for Investment Advisory Services for the District for a new agreement. The RFP was posted on the County Electronic Procurement Network (ePro). Issues with noticing the release of the RFP resulted in only one submission by the November 27, 2023, bid closing date. In order to ensure a true competitive process, ATC cancelled the RFP on December 6, 2023, with plans to reissue the RFP following additional outreach to allow for more proposals.

On September 3, 2024, the Judgment Obligation Bonds that necessitated the need to hire an external investment manager for the District's funds were paid off. Most of the District's funds held in reserve for the outstanding debt were transferred to the County Treasury Pool; however, some funds are still held in fixed income instruments and cannot be liquidated without incurring a market value loss. By September 2025, the remaining tax-exempt bonds managed by PFM will mature and the investment advisory services will no longer be necessary.

The Purchasing Department concurs with a non-competitive justification for a preexisting agreement. The recommended amendment will assign Agreement No. 19-12 to USBAM and extend the current investment advisory services for an additional nine months, until these services will no longer be required.

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**REVIEW BY OTHERS**

This item has been reviewed by County Counsel (Kristina Robb, Deputy County Counsel, 387-5455) on January 2, 2025; Public Works (Noel Castillo, Director, 387-7906) on December 11, 2024; Purchasing (Monica Centeno, Lead Buyer, 386-8046) on December 16, 2024; Finance (Jenny Yang, Administrative Analyst, 387-4884) on January 3, 2025; and County Finance and Administration (Paloma Hernandez-Barker, Deputy Executive Officer, 387-5423) on January 10, 2025.


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Record of Action of the Board of Supervisors  
San Bernardino County

**APPROVED (CONSENT CALENDAR)**

Moved: Curt Hagman   Seconded: Joe Baca, Jr.  
Ayes: Col. Paul Cook (Ret.), Jesse Armendarez, Dawn Rowe, Curt Hagman, Joe Baca, Jr.

Lynna Monell, CLERK OF THE BOARD

BY   
DATED: January 28, 2025



cc:     ATC - Bhatt w/agree  
         Contractor - c/o ATC w/agree  
         File - w/agree  
MBA    01/30/2025