



RECREATION & PARK DISTRICT
6626 Skyway
Paradise, CA 95969
Email: info@ParadisePRPD.com

Paradise Recreation & Park District

Agenda Prepared: 6/6/22
Agenda Posted: 6/13/2022
Prior to: 4:00 PM

Phone: 530-872-6393
Fax: 530-872-8619
Website: www.ParadisePRPD.com

NOTICE OF BOARD OF DIRECTORS COMMITTEE MEETING

Committee: Finance Committee (*Rodowick/Anderson*)
Date: Thursday, June 16, 2022
Time: 4:00 PM
Location: Via Teleconference and Terry Ashe Recreation Center, Room C

Notice:

The public may listen to this meeting via computer or telephone. The public may submit comments prior to the meeting via email to bodclerk@prpd.com before 1:00 p.m. on the day of the meeting and they will be read into the record. Please use the link to join the webinar: Join Zoom Meeting <https://us02web.zoom.us/j/89394583808?pwd=MVBFUlhqTTE1LzFFRUJpTzZ2S1Vsdz09>

Or via Telephone: Dial by your location: +1 669 900 9128 US (San Jose) (or) +1 346 248 7799 US (Houston)
Meeting ID: 893 9458 3808 Password: 6626

AGENDA:

The Committee will meet to:

1. Consider Meeder Public Funds Investment
2. Review Fiscal Year (FY) 2022-2023 Budget
3. Review Salary Scale

CLOSED SESSION:

The Committee will meet in Closed Session pursuant to California Government Code Section:

1. 54957.6, Employee Salary and Wage Negotiations.

REPORT ON CLOSED SESSION:

https://paradisepprd.sharepoint.com/sites/BODMeeting/Shared Documents/_Committee.Finance/2022/FC_2022_0616/FC_22.0616.docx



DATE: 4/26/2022
TO: PRPD Board of Directors (BOD)
FROM: Catherine Merrifield (District Accountant)
SUBJECT: Meeder Public Funds

Summary

The District's Investment Policy states, "It is the policy of the Paradise Recreation and Park District to provide guidelines for the prudent investment of District funds and to maximize the efficiency of the District's cash management. The goal is to enhance the economic status of the District consistent with the prudent protection of the District's investments." Staff is seeking Board authorization to enter into an agreement with Meeder Public Funds (Meeder) to manage PRPD investment funds.

Recommendation: *Authorize District Manager to enter into agreement with Meeder Public Funds to manage a portion of District investment funds (Attachment A) and establish a custodial bank account at US Bank for associated transactions (Attachment B).*

1. Background

From 2019 to 2021, the BOD authorized several Financial Investments and Policies for the District. These included:

- 1) A resolution and open new accounts with Five Star Bank,
- 2) A resolution and open CALTRUST accounts,
- 3) A Financial Investment Policy for BOD consideration, and
- 4) A Reserves Policy.

The investment and reserve policies increase transparency and ensure greater compliance with Governmental Accounting Standards Board Statement No. 54. The goal of these moves was to fortify the District's financial position and to add transparency and allow flexibility with fund management to meet those objectives.

Staff noted at the April 14, 2021, meeting, that a follow-up step will be the review of the District's investment portfolio and investments and diversifying the portfolio and increase returns with different instruments. To that end, staff explored options with Meeder Public Funds (Meeder).

Meeder, founded in 1974 and serving public entities since 1990, is a Security and Exchange Commission (SEC) registered fiduciary investment adviser. Meeder customizes solutions for states, countries, cities, schools, townships, libraries, higher education, and special districts. Currently, they have over \$18 billion in public funds assets under management as of 12/31/21. Meeder provides the following services:

- Investment Policy Review - The Investment Policy would be reviewed to ensure it is in line with state law.
- Cash Flow Review – Regular monitoring of cash flows to determine the proper investment to liquid cash ratio.
- Investment Strategy – A minimum of quarterly meetings with professional investment team that will strategically formulate a custom investment plan to meet District needs and interest rate environment.
- Execution of Trades - Meeder utilizes their purchasing power and expansive broker network to ensure best price execution on trades.
- Monthly Reporting and Review - Monthly and quarterly consolidated reporting of assets, including transactions summaries, and custom reports for the Board to keep everyone up to speed on changes in the portfolio and economy. Annual GASB reporting.
- Compliance Monitoring - Best-in-class compliance monitoring system utilizing rules created for District investments based on investment policy, state law, and any additional restrictions placed on the portfolio. Monitoring allows for both pre- and post-trade compliance monitoring.
- Credit Research - In-house research team monitoring corporate issuers in the marketplace, determining

approved issuer list and keeping the District apprised of any changes.

- Banking and Custody – Assistance provided to establish a new banking or custody relationship.

2. Fiscal Impact

Meeder provided information and scenarios with a presentation to staff. Much of the information below stems from that presentation.

Projected returns (Table 1 and Figure 1) would potentially yield substantially more return than our current arrangement. During the time of the evaluation of investment policy and returns

Under the Meeder and custodial bank agreements, new fees would be added. Although the cost is substantial, they should be offset by increased returns on investment. The investment management fee schedule (Table 2) is 0.08% on the first \$25 million under management and 0.04% on anything over \$25 million. If the number ends up being \$32 million that we're managing initially, it will equate to approximately 0.07125%.

Hypothetical Portfolio Illustration



Paradise Recreation and Parks District portfolio as of 4/12/2022

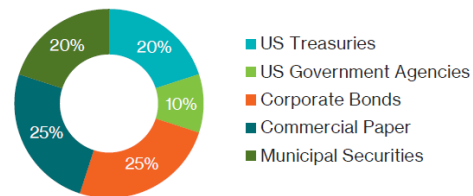
Sample Portfolio

Cash	\$8,184,686
Securities	\$32,700,000
Total Portfolio	\$40,884,686

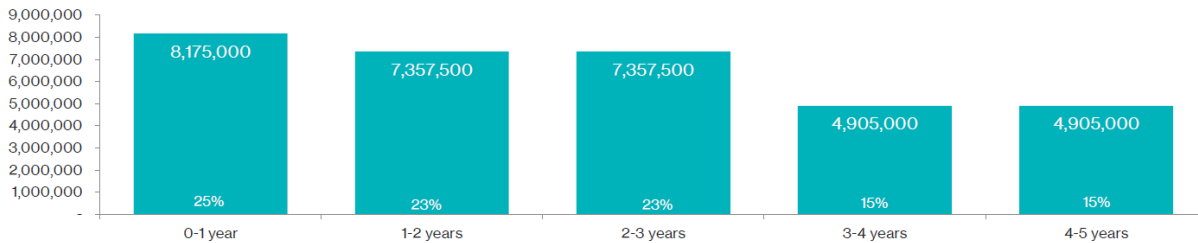
Sample Securities

Weighted Average Maturity	2.29 years
Weighted Average Yield	2.56%
Estimated Annual Income	\$835,856

Sample Asset Allocation



Your Maturity Distribution



PORTFOLIO ILLUSTRATION IS HYPOTHETICAL IN NATURE, DOES NOT REFLECT ACTUAL INVESTMENT RESULTS, AND DOES NOT GUARANTEE FUTURE RETURNS. SEE DISCLOSURE FOR ADDITIONAL INFORMATION.

Figure 1. Example hypothetical portfolio for PRPD.

Table 1. Current versus Meeder investment fees and projected returns

Description	Current	Meeder Sample
Securities	\$32,700,000	\$32,700,000
Securities WAM*	0.01 years	2.29 years
Securities Yield	0.28%	2.56%
Management Fee	-	0.07125%
Net Interest Income	\$90,906	\$812,776

* Weighted average maturity

The arrangement would require that PRPD will have to have a bank account with a third-party custodian bank, such as US Bank (we currently have an account with them). The third-party custodian will hold securities in the public entity's account (in the entity's name) at the bank's trust department. The public entity controls the account with a written custodial agreement. There is a 0.01% fee incurred for the custodian bank (fees shown in Table 2).

Table 2. Proposed total annual fee breakdown on estimated \$32 million invested (divided by 12 when billed monthly).

Assets Under Management	Advisory Fee	Annual Fees	Custody Fee	Custody Fees	Total Fees
\$25,000,000.00	0.08%	\$20,000.00	0.01%	\$2,500.00	\$22,500.00
\$7,000,000.00	0.04%	\$2,800.00	0.01%	\$700.00	\$3,500.00
\$32,000,000.00		\$22,800.00		\$3,200.00	\$26,000.00

3. Discussion

Staff conducted a reference check with the Town of Paradise, one of Meeder’s local clients. Ross Gilb (Finance Director/Town Treasurer) said:

“I can share that I have been very pleased with the service provided by Meeder. They have been very easy to work with and provide great information on a regular basis to both me and Council in a digestible format. It also seems to me that the management of the portfolio has proven to generate competitive rates of return.”

Past performance is not necessarily indicative of future rates of return, but the new account is consistent with District policies and provides potentially a greater return, especially with changing economic conditions. In addition, Meeder’s professional team monitors compliance with District policy and state laws and will likely yield greater returns than the investment at 5-Star Bank, CALTrust, and LAIF. With our reporting system, the BOD will be kept informed of changes to the investment distribution and returns.

Attachments:

- A. Meeder Public Funds – Investment Management Agreement
- B. US Bank – Custody Application Form

https://paradisepprd.sharepoint.com/sites/BODMeeting/Shared Documents/_BOD/2022/22.0511/2022.0511.BOD.Report.Meeder.docx
6/7/2022

Investment Management Agreement

Meeder Public Funds

This Investment Management Agreement (“Agreement”) is effective as of the date executed by and between Meeder Public Funds, Inc. (“Meeder”), its applicable affiliates, and the undersigned account owner (“Client”).

1. **Investment Management Services.** Under this Agreement, Meeder provides discretionary investment management services for public entity clients in accordance with the terms of the applicable state investment code and investment policy.

2. **Appointment.** Client appoints Meeder as discretionary investment manager to manage the assets deposited in any account subject to the terms of this Agreement (“Account”). Meeder accepts the appointment as investment manager and shall invest, reinvest and manage the securities, cash and other assets of the Account subject to any Investment Policy Statement provided by Client. Meeder shall provide advice only with respect to assets in the Account and shall have no responsibility for the actions or non-actions of predecessor investment advisors or for the management of assets other than the assets allocated to the Account.

3. **Trading Authorization.** Client grants Meeder discretionary trading authority and appoints Meeder as agent and attorney-in-fact with respect to investments in the Account. Meeder may direct the purchase, sale, exchange, conversion, delivery or other acquisition or disposition of securities and other investments in the Account and act on behalf of Client in all other matters incidental to the handling of Account investments, all without prior consultation with Client.

4. **Custody.** Meeder will not assume physical custody of the Account or any portion of it. Client shall establish a custodial account with a qualified custodian (“Custodian”). Client will receive from the Custodian account statements and confirmations identifying assets and transactions in the Account. All transactions will be consummated by payment to, or delivery by, the Custodian of all cash, securities and other assets due to or from the Account. The Custodian shall be responsible for investing any daily cash balances in the Account and Meeder will not exercise discretion to select sweep vehicles for the Account.

5. **Investment Objectives and Restrictions.** Client may provide Meeder with an Investment Policy Statement or other written directions setting forth the investment objectives and any specific investment restrictions or limitations which govern the Account. Meeder shall be entitled to rely on such guidelines, objectives and restrictions relating to the Account as it may receive from Client. It is Client’s responsibility to inform Meeder in writing of any changes or modifications to the Investment Guidelines, which shall be given ten days in advance of any such change.

6. **Brokerage.** Unless otherwise directed, Meeder will place trades for the Account through such brokers or dealers as it may select. When selecting brokers, Meeder's primary consideration will be the broker's ability to provide best execution of trades and Meeder may consider the quality and reliability of the brokerage services, trade price and commission, as well as research and other services provided by the broker-dealers.

7. **Trade Aggregation.** Meeder may aggregate trades for multiple clients when, in the adviser’s judgment, aggregation is in the best interests of the clients involved. Orders are aggregated to facilitate best execution and allocate equitably among clients the effects of any market fluctuations that might have otherwise occurred had these orders been placed independently. Where it is not possible to obtain the same execution price for all securities purchased or sold on an aggregated basis, Meeder may allocate trades equitably among its clients using the average execution price.

8. **Fees.** For the services provided in accordance with this Agreement, Client will pay an investment advisory fee as indicated on Schedule A to this Agreement. Investment advisory fees do not include custody fees charged by Client's selected Custodian. Where Client has elected to have fees deducted, Client authorizes the Custodian to deduct fees from the Account and pay them to Meeder.

9. **Solicitor Arrangements.** Meeder accepts Clients referred through unaffiliated introducing advisors ("Solicitors") and Meeder Public Funds, Inc. may pay a referral fee directly or through its affiliate, Meeder Advisory Services, Inc., in connection with Client's Account. Each Client who is introduced to Meeder by a Solicitor will acknowledge the amount of the referral fee in a separate Written Disclosure Statement.

10. **Third-Party Payments.** Meeder or its affiliates receive compensation from unaffiliated third parties for opening, administering or advising certain financial products offered to advisory clients, including STAR Ohio and the Government Insured Deposit Program (GIDP). Asset based advisory fees are not charged for assets invested in products that pay indirect compensation to Meeder.

11. **Proxy Voting.** Meeder does not accept or assume authority to vote proxies for its public fund clients. Clients will receive their proxies or other solicitations directly from their Custodian. Client agrees that Meeder will not advise or act for Client in any legal proceedings, including bankruptcies or class actions, involving securities held or previously held by the Account or the issuers of such securities.

12. **Electronic Delivery.** Client consents to electronic delivery of all documents from Meeder, including but not limited to a copy of the executed Agreement, statements, confirmations, Meeder's Form ADV Part 2, and other general communications.

13. **Confidentiality.** All information and advice furnished by either party to the other, including their respective agents and employees, shall be treated as confidential and shall not be disclosed to third parties except as otherwise required by law or as agreed to in writing by Client. Notwithstanding the foregoing, Client consents to the use of Client's name in sales and marketing material used by Meeder or its affiliates solely for the purpose of identifying the Client as an investment advisory client.

14. **Services to Other Clients.** Client understands that Meeder serves as investment adviser for other clients and will continue to do so. Client also understands that Meeder, its personnel and affiliates ("Affiliated Persons") may give advice or take action in performing their duties to other clients, or for their own accounts, that differ from advice given to or action taken for Client. Meeder is not obligated to buy, sell or recommend for Client any security or other investment that Meeder or its Affiliated Persons may buy, sell or recommend for any other client or their own accounts.

15. **Meeder's Representations.** Meeder represents that it is a registered investment adviser under the Investment Advisers Act of 1940.

16. **Client's Representations.** Client represents and acknowledges that: (i) Client is the sole owner of the Account assets and has full power and authority to enter into this Agreement and to commit the assets to Meeder's management and supervision; (ii) that the person signing this Agreement on behalf of Client is authorized and empowered to establish accounts and commit the assets to Meeder's management and supervision on the entity's behalf; (iii) Client has received Meeder's current Form ADV, Part 2A and B; and (iv) Client has received a copy of Meeder's Privacy Policy.

17. **Term.** This Agreement may be terminated by either party for any or no reason upon delivery by first class U.S. mail, postage prepaid, or delivery by hand, of a written "Notice of Termination" to the other party at least thirty (30) days prior to the date of the intended early termination of this Agreement. Termination of this Agreement will not affect the status, obligations or liabilities of the parties to this Agreement that arose prior to such termination.

18. **Limitation of Liability.** Except for negligence, malfeasance or violation of applicable law, neither Meeder nor its officers, directors or employees shall be liable to Client for any action performed, or omitted to be performed, or for any errors of judgment in managing the Account. Nor shall Meeder be liable to Client for any act or failure to

act by any other third party. The federal securities laws impose liabilities under certain circumstances on persons even when they act in good faith. Therefore, nothing in this Agreement shall in any way constitute a waiver or limitation of any rights that Client may have under any federal or state securities laws.

19. **Assignment.** This Agreement may not be assigned by either party without the consent of the other party. Meeder will provide Client at least thirty (30) days prior written notice of any proposed assignment, and Client's consent will be presumed unless Client notifies Meeder otherwise in writing prior to the date of the assignment indicated on the notice.

20. **Amendment.** This Agreement may be amended by Meeder with thirty (30) days prior written notice to Client and may be amended immediately upon notice to the extent reasonably required to satisfy federal or state regulatory requirements.

21. **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the State of Ohio without giving effect to any conflict or choice of law provisions of that State.

22. **Severability.** If any provision of this Agreement is or should become inconsistent with any law or rule of any governmental or regulatory body having jurisdiction over the subject matter of this Agreement, the provision will be deemed to be rescinded or modified in accordance with any such law or rule. In all other respects, this Agreement will continue and remain in full force and effect.

23. **Affiliates.** To the extent necessary to carry out the terms of this Agreement, any named affiliate of Meeder shall be deemed to be a party to the Agreement for that purpose.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers or agents to become effective as of the day and year first written above.

MEEDER PUBLIC FUNDS, Inc.

PARADISE RECREATION & PARKS DISTRICT

BY

BY

TITLE

TITLE

SIGNATURE

SIGNATURE

DATE

DATE

Meeder Public Funds

Schedule of Fees

As of January 2020

This schedule sets forth the standard annual investment advisory fee applicable to the Account under this Agreement. The schedule is tiered and each tier of assets under management will be assessed at the rate set forth in the schedule.

Discretionary Accounts	
Assets Under Management	Annual Advisory Fee
Up to \$25,000,000	0.08%
Over \$25,000,000	0.04%

Investment advisory fees are subject to minimum fee of \$5,000 per year. Fees are calculated and billed monthly in arrears based on the value of the securities, cash and other assets in the account at the end of the billing period. Unless otherwise agreed, fees are deducted directly from the Account.