

MOTION NO. M2013-67

**Contract with Davidson Fixed Income Management for Investment Advisory Services**

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:	PHONE:
Operations Committee	09/05/2013	Final Action	Brian McCartan, CFO <b>Tracy Butler, Treasurer</b> Jim Block, Cash and Investment Administrator	206-398-5100 206-398-5146 206-689-4997

PROPOSED ACTION

Authorizes the chief executive officer to execute a five year contract with two one-year options to extend with Davidson Fixed Income Management to provide investment advisory services in the amount of \$709,000 with no contingency, for a total authorized contract amount not to exceed \$709,000.

KEY FEATURES SUMMARY

- The scope of the investment advisory service includes the ongoing management of Sound Transit's restricted and unrestricted investment portfolios and assisting with maintaining and updating the agency's Asset-Liability Management (ALM) program.
- It is an industry best practice to engage with an independent investment consultant to assist in the management of portfolios of significant size. This approach allows the agency to gain independent, specialized advisory services on its investment strategies and transactions.
- Davidson Fixed Income Management specializes in the management of public funds and will be the primary Investment Advisor.
- The requested amount covers the five year contract term and the two one-year options to extend.

BACKGROUND

Since 1997, Sound Transit has contracted with an external investment advisor to provide investment advisory services. Over the years, the agency has experienced added value with this approach. Sound Transit's investment performance has regularly exceeded the benchmarks and consistently met or exceeded budget.

Sound Transit issued a Request for Proposals (RFP) and received four proposals for investment advisory services. The RFP asked that pricing be provided both as an annual fixed fee and as an annualized percentage of the portfolio, based upon the dollar amount of funds being advised. Sound Transit has the option to choose which pricing schedule will be used. The RFP also requested hourly rates for key individuals at the advisory firm.

Davidson Fixed Income Management and PFM Asset Management LLC were selected as the most qualified and best value providers.

Davidson Fixed Income Management specializes in the management of public funds and will be the primary investment advisor. They will be paid based upon the annual fixed fee for the ongoing advisory work. If special projects are requested of Davidson Fixed Income Management, they will be paid under the hourly rates schedule.

Board authorization is also being requested for a separate contract with PFM Asset Management LLC for Investment Advisory services under Motion No. M2013-68. PFM Asset Management LLC may be utilized for special projects and will be paid under the hourly rates schedule if these services are requested.

**FISCAL IMPACT**

The contractor, Davidson Fixed Income Management, will be compensated based upon a pre-agreed fee schedule. These costs are paid out of the Finance and Information Technology’s annual budget for all investment consulting services and with the remaining portions from future budget proposals. Details are provided in the following section.

Funding for investment advisory services has been assumed within the agency’s financial plan and within the staff budgets.

**Budget Table**

<b>Finance and Information Technology</b>	<b>Adopted 2013 Budget</b>	<b>Spent and Committed to Date</b>	<b>2013 Contract Expenditures</b>	<b>Remaining 2013 Budget</b>
Services	7,527	2,180	28	5,319
<b>Total Services Budget</b>	<b>\$7,527</b>	<b>\$2,180</b>	<b>\$28</b>	<b>\$5,319</b>

<b>Contract Spending Plan</b>	<b>Prior Year(s) Spending</b>	<b>2013 Spending</b>	<b>Future Spending</b>	<b>Total</b>
Davidson Fixed Income Management		\$28	\$681	\$709

<b>Contract Budget</b>	<b>Approved</b>	<b>Spent to Date</b>	<b>This Action</b>	<b>Contract Value</b>
Davidson Fixed Income Management			709	709
Contingency			0	0
<b>Total Contract</b>			<b>\$709</b>	<b>\$709</b>
Percent Contingency			0%	

Notes:  
 Amounts are expressed in \$000s.  
 Spent and Committed amounts as of May 31, 2013.  
 Finance and Information Technology Budget is on page 81 of the 2013 Adopted Budget.

**SMALL BUSINESS PARTICIPATION**

There are no subcontracting opportunities due to the nature of the work.

**EQUAL EMPLOYMENT WORKFORCE PROFILE**

Out of the 31 employees at Davidson Fixed Income Management, 44% are women and 5.4% are minority employees.

**PUBLIC INVOLVEMENT**

Not applicable to this action.

## TIME CONSTRAINTS

A one month delay would not have a significant impact on Agency investment advisory services.

## PRIOR BOARD/COMMITTEE ACTIONS

None.

## ENVIRONMENTAL REVIEW

JI 8/9/2013

## LEGAL REVIEW

BN 8/28/13

## **MOTION NO. M2013-67**

A motion of the Operations and Administration Committee of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a five year contract with two one-year options to extend with Davidson Fixed Income Management to provide investment advisory services in the amount of \$709,000 with no contingency, for a total authorized contract amount not to exceed \$709,000.

### **BACKGROUND:**

Since 1997, Sound Transit has contracted with an external investment advisor to provide investment advisory services. Over the years, the agency has experienced added value with this approach. Sound Transit's investment performance has regularly exceeded the benchmarks and consistently met or exceeded budget.

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**MOTION:**

It is hereby moved by the Operations and Administration Committee of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to execute a five year contract with two one-year options to extend with Davidson Fixed Income Management to provide investment advisory services in the amount of \$709,000 with no contingency, for a total authorized contract amount not to exceed \$709,000.

APPROVED by the Operations and Administration Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on September 5, 2013.



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John Marchione  
Operations and Administration Committee Chair

ATTEST:



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Marcia Walker  
Board Administrator