

MOTION NO. M2013-68

Contract with PFM Asset Management LLC for Investment Advisory Services

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:	PHONE:
Operations Committee	09/05/2013	Final Action	Brian McCartan, CFO Tracy Butler, Treasurer 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 PFM Asset Management LLC to provide investment advisory services in the amount of \$275,000 with no contingency, for a total authorized contract amount not to exceed \$275,000.

KEY FEATURES SUMMARY

- The scope of the investment advisory service includes the ongoing management of Sound Transit's restricted and unrestricted 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.
- PFM Asset Management LLC specializes in the management of public funds and will be utilized primarily for special projects.
- 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.

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

PFM Asset Management LLC specializes in the management of public funds and received the second highest overall rating based upon the evaluation criteria in the Request for Proposals. PFM Asset Management LLC will be paid based upon a percentage of the Sound Transit portfolios being managed. Sound Transit expects to utilize this contract primarily for special projects. Special projects requested of PFM Asset Management LLC will be paid under the hourly rates schedule.

Board authorization is also being requested for a separate contract with Davidson Fixed Income Management for Investment Advisory services under Motion No. M2013-67. Davidson Fixed Income Management will be the agency's primary investment advisor.

FISCAL IMPACT

The contractor, PFM Asset Management LLC, 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

Finance and Information Technology	Adopted 2013 Budget	Spent and Committed to Date	2013 Contract Expenditures	Remaining 2013 Budget
Services	7,527	2,180	0	5,347
Total Services Budget	\$7,527	\$2,180	\$0	\$5,347

Contract Spending Plan	Prior Year(s) Spending	2013 Spending	Future Spending	Total
PFM Asset Management LLC		\$0	\$275	\$275

Contract Budget	Approved	Spent to Date	This Action	Contract Value
PFM Asset Management, LLC		0	275	275
Contingency			0	0
Total Contract			\$275	\$275
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 198 employees at PFM Asset Management LLC, 48 percent are women and 18% 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

8/19/2013

LEGAL REVIEW

BN 8/28/13

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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 PFM Asset Management LLC to provide investment advisory services in the amount of \$275,000 with no contingency, for a total authorized contract amount not to exceed \$275,000.

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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 PFM Asset Management LLC to provide investment advisory services in the amount of \$275,000 with no contingency, for a total authorized contract amount not to exceed \$275,000.

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.



John Marchione
Operations and Administration Committee Chair

ATTEST:



Marcia Walker
Board Administrator