

**Contract with Government Portfolio Advisors LLC for Investment Advisory Services**

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:	PHONE:
Operations Committee	03/06/2014	Final Action	Brian McCartan, CFO Tracy Butler, Treasurer <b>Jim Block, Cash and Investment Administrator</b>	206-398-5100 206-398-5146 206-689-4997

PROPOSED ACTION

Authorizes the chief executive officer to execute a novation agreement that authorizes Davidson Fixed Income Management, Inc., to assign its rights and obligations under its contract with Sound Transit to Government Portfolio Advisors LLC for investment advisory services, for a total authorized amount not to exceed \$694,833.

KEY FEATURES SUMMARY

- Sound Transit entered into a contract with Davidson Fixed Income Management (DFIM) for investment advisory services. DFIM recently altered their service focus away from advisory services. Key personnel who specialize in the management of public funds had been assigned to Sound Transit as the primary investment advisors. Those key personnel left DFIM and formed their own company (GPA LLC) on February 3, 2014.
- DFIM and GPA LLC have agreed to assign DFIM's rights and obligations under the contract to GPA LLC through a novation agreement. Under the novation agreement, GPA LLC agrees to be bound by and perform the contract as if it were the original party to the contract and Sound Transit will recognize GPA LLC as DFIM's successor in interest under the contract.
- DFIM has agreed to transfer 33 advisory services contracts for public entities to GPA LLC. All parties involved believe the clients will be best served due to the alignment of service focus and expertise with customer needs provided by GPA LLC.
- There is no change to the original contract scope and terms as a result of the assignment to GPA LLC. The contract, as executed, was for an amount not to exceed \$709,000 of which \$694,833 remains unspent. The terms of the original contract (five years from its effective date of November 1, 2013 with two optional one year options to extend) will remain in effect.

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.

In May 2013 Sound Transit issued a Request for Proposals (RFP) for Investment Advisory Services. The Portland office team of DFIM received the highest total score based upon the five evaluation criteria and was subsequently identified as the most qualified and best value provider. The key personnel from the Portland office team specialize in the management of public funds and were assigned to be the primary investment advisor for Sound Transit. These key personnel left DFIM on February 3, 2014 and formed their own company. At the request of Sound Transit, DFIM and GPA LLC have consented to execute a novation agreement as all parties believe this arrangement will best serve Sound Transit's needs for investment advisory services.

## FISCAL IMPACT

There is no fiscal impact for this action.

The DFIM contract was previously approved under Motion No. M2013-67 for a contract amount not to exceed \$709,000. There is a remaining amount on this contract of \$694,833. The action was within the adopted budget and sufficient monies remain after the approval. Once the novation agreement is signed by all three parties it will be as if GPA LLC were the original party to the contract for services provided after its effective date.

## SMALL BUSINESS PARTICIPATION

GPA LLC is a woman-owned small business. The company is in the process of applying for small business certification.

## EQUAL EMPLOYMENT WORKFORCE PROFILE

Out of the 5 employees at Government Portfolio Advisors LLC, 60% are women. The company is 51% woman-owned and has applied for certification as a Woman Business Enterprise from the Washington State Office of Minority and Woman's Business Enterprises.

## PUBLIC INVOLVEMENT

Not applicable to this action.

## TIME CONSTRAINTS

Currently Sound Transit does not have access to the key personnel named in the contract with DFIM. This is a service used on a daily basis and as such it would not be ideal to have too long of an interruption in service.

## ENVIRONMENTAL REVIEW

JI 2/20/2014

## LEGAL REVIEW

JW 02/20/2014

**MOTION NO. M2014-14**

A motion of the Operations and Administration Committee of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a novation agreement that authorizes Davidson Fixed Income Management, Inc., to assign its rights and obligations under its contract with Sound Transit to Government Portfolio Advisors LLC for investment advisory services, for a total authorized amount not to exceed \$694,833.

**BACKGROUND:**

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DFIM has agreed to transfer 33 advisory services contracts for public entities to GPA LLC. All parties involved believe the clients will be best served due to the alignment of service focus and expertise with customer needs provided by GPA LLC.

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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 novation agreement that authorizes Davidson Fixed Income Management, Inc., to assign its rights and obligations under its contract with Sound Transit to Government Portfolio Advisors LLC for investment advisory services, for a total authorized amount not to exceed \$694,833.

APPROVED by the Operations and Administration Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on March 6, 2014.

  
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Paul Roberts  
Operations and Administration Committee Chair

ATTEST:

  
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Marcia Walker  
Board Administrator