

**SOUND TRANSIT
STAFF REPORT**

MOTION NO. M2005-53

Investment Advisory Services

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	5/19/05	Discussion/Possible Action	Brian McCartan, Deputy Chief Financial Officer, Finance & Information Technology	(206) 398-5100

Contract/Agreement Type:	✓	Requested Action:	✓
Competitive Procurement		Execute New Contract/Agreement	
Sole Source		Amend Existing Contract/Agreement	✓
Interlocal Agreement		Contingency Funds (Budget) Required	
Purchase/Sale Agreement		Budget Amendment Required	

✓ *Applicable to proposed transaction.*

ACTION

Authorizes the Chief Executive Officer to execute a contract amendment with D.A. Davidson to provide additional investment advisory services in the amount of \$400,000 for a new total authorized contract amount not to exceed \$580,000.

KEY FEATURES

- Increases the existing contract with D.A. Davidson to provide investment advisory services.

BUDGET IMPACT SUMMARY

This action is within the Board-adopted budget; there are no contingency funds required, no subarea impacts, or funding required from other parties other than what is already assumed in the financial plan.

BUDGET DISCUSSION

The Adopted 2005 Budget contains \$80,000 for these services. Subsequent annual budget requests will also contain funds sufficient to fund this contract. Some contract expenses will also be paid out of bond issuance costs.

REVENUE, SUBAREA, AND FINANCIAL PLAN IMPACTS

The proposed action is consistent with the current Board-adopted budget and is affordable within Sound Transit's current long-term financial plan and the subarea financial capacity; there is no impact to subarea affordability.

BUDGET TABLE

Action Item: Amendment to contract with DA Davidson for Investment Management Services

(Year of Expenditure \$000)

	(A) Current Approved Contract Value	(B) Spent to Date	(C) Proposed Action	(D) Proposed Total Contract Value
Contract Budget:				
Financial Advisory Services	180,000	140,708	400,000	580,000
Contingency	-	-	-	-
Total	180,000	140,708	400,000	580,000

Budgets	Prior Budgets	2005 Budget	Future Budgets	Total
FIT, Consulting Services	100,708	80,000	339,292	520,000
Bond Issuance Costs	-	20,000	40,000	60,000
TOTAL CONTRACT CHARGES:	100,708	100,000	379,292	580,000

Notes

This a multi-year contract extension starting in June 2005 and may extend to June 2008, if both extension options are exercised.

The agency's financial plan assumes 1.5% issuance cost per bond sale to cover the costs of underwriters, bond counsel, financial advisory fees, rating agency fees and other bond issuance costs. These costs are charged directly to bond proceeds and are not included in the staff operating budget.

M/W/DBE – SMALL BUSINESS PARTICIPATION

D.A. Davidson is not a woman or minority owned firm. However, Sound Transit's financial advisory team has two minority owned businesses (Hattori and Associates and McCalley Consulting) and one woman owned business (Berk and Associates).

EEO Commitment

As of September 2004, 51% of DA Davidson employees were women or minorities.

Apprentice Utilization Commitment

Not applicable for this action.

HISTORY OF PROJECT

In July 2003, Sound Transit conducted a competitive procurement for Financial Advisory Services. The agency selected five firms to provide services in the areas of debt management and issuance, investment advisory services, financial analysis and innovative finance. D.A. Davidson was selected to provide the investment advisory services and financial advisory services related to asset liability management.

Sound Transit executed a \$180,000 contact with D.A. Davidson in July 2003 after its competitive selection. Since the original contract was signed, the requirements for investment advisory services have expanded substantially as the agency manages more of its own investments in order to maximize the investment yield. Since March 2003, the internally managed Sound Transit portfolio has risen from \$280 million to approximately \$530 million. Services provided by D.A. Davidson have included: management of the Sound Transit investment pool; advisory services in designing and implementing an ALM program; and management letter of credit investments for Souder Seattle-Tacoma.

CONSEQUENCES OF DELAY

If the proposed contract amendment is not authorized, Sound Transit would have to re-procure investment management services.

PUBLIC INVOLVEMENT

Not applicable for this action.

LEGAL REVIEW

JDW 5/16/05

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A motion of the Finance Committee of the Central Puget Sound Regional Transit Authority authorizing the Chief Executive Officer to execute a contract amendment with D.A. Davidson to provide additional investment advisory services in the amount of \$400,000 for a new total authorized contract amount not to exceed \$580,000.

Background:

In July 2003, Sound Transit conducted a competitive procurement for Financial Advisory Services. The agency selected five firms to provide services in the areas of debt management and issuance, investment advisory services, financial analysis and innovative finance. D.A. Davidson was selected to provide the investment advisory services and financial advisory services related to asset liability management.

Sound Transit executed a \$180,000 contract with D.A. Davidson in July 2003 after its competitive selection. Since the original contract was signed, the requirements for investment advisory services have expanded substantially as the agency manages more of its own investments in order to maximize the investment yield. Services provided by D.A. Davidson services have included: management of the Sound Transit investment pool; advisory services in designing and implementing an ALM program; and management letter of credit investments for Sounder Seattle-Tacoma.

Motion:


It is hereby moved by the Finance Committee of the Central Puget Sound Regional Transit Authority that the Chief Executive Officer is authorized to execute a contract amendment with D.A. Davidson to provide investment management services in the amount of \$400,000 for a new total authorized contract amount not to exceed \$580,000.

APPROVED by the Finance Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on May 19, 2005.



Kevin R. Phelps
Finance Committee Chair

ATTEST:



Marcia Walker
Board Administrator