

**SOUND TRANSIT
STAFF REPORT**

MOTION NO. M2008-78

Contract for Investment Advisory Services

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	8/7/08	Discussion/Possible Action	Brian McCartan, CFO Tracy Butler, Treasurer	(206) 398-5100 (206) 398-5146

Contract/Agreement Type:	<input checked="" type="checkbox"/>	Requested Action:	<input checked="" type="checkbox"/>
Competitive Procurement	<input checked="" type="checkbox"/>	Execute New Contract/Agreement	<input checked="" type="checkbox"/>
Sole Source		Amend Existing Contract/Agreement	
Agreement with Other Jurisdiction(s)		Budget Amendment	
Real Estate		Property Acquisition	

PROPOSED ACTION

Authorizes the chief executive officer to execute a three-year contract with two one-year options with Davidson Fixed Income Management to provide investment advisory services for a total authorized contract amount not to exceed \$500,000.

KEY FEATURES of PROPOSED ACTION

- The scope of the contract includes advisory services for management of Sound Transit funds; advisory services in maintaining and updating the Asset-Liability Management (ALM) program; and management of letter of credit investments.
- The contract is for a period of three years, with two one-year options to extend. The requested amount covers all five years of the contract.
- Funding for the investment advisory services has been assumed within the agency's financial plan and within the staff budgets.

BUDGET IMPACT SUMMARY

There is no action outside of 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 and FINANCIAL PLAN DISCUSSION

Budget for this request is located within the Finance and Information Technology Staff Operating Budget on page 186 in the Adopted 2008 Budget book.

The consultant would be compensated based on a pre-agreed fee schedule. These costs are paid out of the Finance and Information Technology's annual budget for all financial consulting services and with the remaining portions from future budget proposals. Details are provided in the following section.

BUDGET TABLE

Summary for Board Action (X \$1,000)

Action Item: On-call financial advisory services

	Adopted 2008 Budget	Spent to date in 2008	Contract Expenditures 2008	Remaining 2008 Budget
Current Year Budget				
FIT Services Consultant/Management	1,028	132	25	871
Other Services	2,583	1,254		1,329
Total Account Category	3,611	1,386	25	2,200

Budget Shortfall

Level	Shortfall	Resources	Funding Source
N/A	-	-	N/A

Contract Spending Plan	Prior Year(s) Spending	2008 Spending	Future Expenditures	Total
Davidson Fixed Income Management	-	25	475	500

Contract Budget	Current Approved Contract Value	Spent to Date	Proposed Action Per Year	Proposed Total Contract Value
Davidson Fixed Income Management	-	-	500	500
	-	-		-
	-	-		-
Total	-	-	500	500
Percent Contingency	-	-		

Notes:

Budget for this item is included in the Sound Transit Staff Operating Budget Summary page 186 of the Adopted 2008 Budget. On page 186, Corporate Services section, see Consultant/Management line item. The 2009 portion of the contract amount will be requested in the Proposed 2009 Budget.

SMALL BUSINESS PARTICIPATION

Prime Consultant/Consultant

Davidson Fixed Income Management is the prime consultant for this contract and one of the thirteen members of the financial advisory team, four of whom are WBEs (Kraght Snell, P.S., Spectrum Design, Red Cedar Partners and Scott Balice Strategies).

There is no subcontracting opportunity due to the nature of the work.

Equal Employment Workforce Profile (% Women/People of Color)

Davidson Fixed Income Management workforce demographics are 48% women and 7% minorities.

PROJECT DESCRIPTION and BACKGROUND for PROPOSED ACTION

Since 1997, Sound Transit has maintained a team of financial advisory firms to provide, on an on-call basis, specialized services in the areas of debt management, investment management, transit and financial planning and innovative financing transaction. This approach has proved very effective at providing the agency focused expert consultant services in key areas.

In July 2008, Sound Transit issued a new Request for Proposal (RFP) for these financial advisory contracts. The RFP included services in:

- Debt Issuance and management;
- Investment advisory services;
- Economic forecasting and analysis;
- Transit financial planning and modeling;
- Public private partnership and innovative financing;
- Strategic grant advisory services;
- Accounting and internal control advisory services; and
- Arbitrage rebate services.

The agency received 38 proposals in total. Staff intends to sign nine contracts under the CEO's authority with EcoNorthwest, Scott Balice Strategies, Seattle Northwest, Porter & Associates, Inc., Raul V. Bravo & Associates, Inc., Spectrum Design, Red Cedar Partners, and Duncan Kent & Associates.

Sound Transit received four proposals for investment advisory services and selected Davidson Fixed Income Management (\$500,000) as most qualified to provide the requested services.

Davidson Fixed Income Management has served as the investment advisor for Sound Transit since 1999. Davidson Fixed Income Management specializes in the management of public funds, and all its assets under management are fixed income securities. Services Davidson Fixed Income Management provides to Sound Transit include: advisory services for management of Sound Transit funds; advisory services in maintaining and updating the ALM program; and management letter of credit investments.

Analysis of Contracting Out vs. Performing In-House

It is recommended as a "best practice" to engage with an independent investment consultant. For example, one of the recommendations from the recent King County Investment Pool Report is to establish an advising relationship with an external fund manager/investment consultant. This approach allows the agency to gain independent, specialized advisory services on its investment strategies and evaluation of individual investment purchases. It would not be cost effective to hire these services on an in-house basis.

Prior Board/Committee Actions

None.

CONSEQUENCES of DELAY

A delay of two weeks would not impact the agency's investment functions and interrupt the services provided by the current consultant.

PUBLIC INVOLVEMENT

Not applicable.

ENVIRONMENTAL COMPLIANCE

PW 7/30/08

LEGAL REVIEW

JW 7/30/08

SOUND TRANSIT

MOTION NO. M2008-78

A motion of the Finance Committee of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a three-year contract with two one-year options with Davidson Fixed Income Management to provide investment advisory services for a total authorized contract amount not to exceed \$500,000.

Background:

Since 1997, Sound Transit has maintained a team of financial advisory firms to provide, on an on-call basis, specialized services in the areas of debt management, investment management, transit and financial planning and innovative financing transaction. This approach has proved very effective at providing the agency focused expert consultant services in key areas.

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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 three-year contract with two one-year options with Davidson Fixed Income Management to provide investment advisory services for a total authorized contract amount not to exceed \$500,000.

APPROVED by the Finance Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on August 7, 2008.



Aaron Reardon
Finance Committee Chair

ATTEST:



Marcia Walker
Board Administrator