

WEST BASIN MUNICIPAL WATER DISTRICT

NOVEMBER 16, 2005 - Finance

Fernandez, Dear

NOVEMBER 28, 2005 – Board Meeting

Prepared by: Margaret Moggia

Submitted by: Margaret Moggia

Approved by: Art Aguilar/Rich Nagel

INFORMATION CALENDAR

INVESTMENT IMPROVEMENTS BROKER-DEALER PROCESS

SUMMARY:

In June 2005, staff conducted an investment workshop that covered a variety of subject matters. One item covered is the use of broker-dealers; currently the District has only one broker-dealer. Staff identified that a more competitive process for investment transactions should be implemented. To initiate this process, with oversight from PFM Asset Management (PFM), staff developed a broker-dealer questionnaire and related scoring criteria. The questionnaire was sent to 16 firms expressing interest and firms identified by PFM; staff received 13 responses.

Based on the set criteria, staff and PFM independently evaluated the responses and related material. In addition, staff contacted references to obtain an independent viewpoint. Those firms that met the minimum requirement have been placed on the approved list, subject to receipt of a certification letter. The certification letter indicates that the broker-dealer has read the District's policy and agrees to provide advice and recommendations per the District's policy. It also states that the broker-dealer will provide the District appropriate notice regarding downgrades or other sensitive information for investment transactions conducted with that firm.

According to the District's investment policy, the Treasurer may select broker-dealers who have read and agreed to comply with the District's policy and is in good standing with the California Department of Securities, the Securities and Exchange Commission, and the National Association of Securities Dealers. Seven firms met the minimum requirements and will be sent a certification letter. Staff will conduct periodic reviews to add, remove or modify broker-dealer firms.

FISCAL IMPACTS:

Using multiple broker-dealers on investment transactions should obtain a more competitive process that should diversify the portfolio and obtain a greater yield.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Finance Committee on November 16, 2005 and was agendized to the November 28, 2005 Board meeting as information for discussion.

RECOMMENDED MOTION:

This item is for information only.