

WEST BASIN MUNICIPAL WATER DISTRICT

NOVEMBER 15, 2006 – Finance

Dear, Little

NOVEMBER 27, 2005 –Board Meeting

Prepared by: Margaret Moggia

Submitted by: Margaret Moggia

Approved by: Rich Nagel

ACTION CALENDAR

INVESTMENT ADVISORY SERVICES CONTRACT

SUMMARY:

Over the past few years, the District has taken many proactive steps to improve its investment portfolio and the related services. The District has established a third party custodial account with Union Bank of California and developed a list of qualified broker-dealers to competitively price its investment purchases. In addition, the District established a benchmark and developed procedures in order to monitor its performance.

To continue with improving the District’s investment portfolio and practices, staff is recommending supplementing its staff resources with a qualified investment advisory services firm. The firm would provide the following service over a two-year period:

1. Provide periodic market data to staff for them to utilize at investment workshops with the Board. (Quarterly);
2. Perform periodic compliance review to insure that transaction decisions are appropriately made, and make recommendations for improvement (Quarterly meetings);
3. Recommend improvements to investment policy (Annual);
4. Provide guidance to achieve diversification and benchmarking criteria (Monthly calls);
5. Determine if there are opportunities on some of the existing investment holdings to improve on diversification and yield (Monthly or as needed);
6. Recommend improvement(s) to investment reports (Annual); and
7. Answer other questions on an as needed basis.

Staff sent a “Request for Proposals” to qualified firms and posted it on the District’s website in September. Staff received two responsive proposals, and in adherence to the District’s procurement policy, conducted interviews with the two firms on October 31. The interview panel consisted of two staff members and Victoria Beatley, Financial Services Manager for Mesa Consolidated Water District and Board President for the California Municipal Treasurer’s Association.

Based on review of the proposals and the interviews, staff evaluated the firms as follows:

Criteria	Maximum Points	Bond Logistix	PFM Asset Management
Knowledge of Fixed Income Market	25	25	25
Firm Experience	25	23	25
Project Understanding	20	19	20
Value Added Services	20	18	19
Interview / Proposal	10	9	8
Total	100	94	97
2-Year Contract Price		\$56,000	\$40,000

Based on the above criteria, staff noted that PFM and Bond Logistix are both strong in firm experience and knowledge in the fixed income market. In addition, they both demonstrated an understanding of the project needs of the District. Staff is recommending PFM due to their familiarity with the agency and the above criteria. Also, their two-year contract price is lower.

FISCAL IMPACTS:

Funds are included in the Finance and Support Services Fiscal Year 2006-07 Budget.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Finance Committee on November 15, 2006 and recommended for approval at the November 27, 2006 Board meeting.

RECOMMENDED MOTION:

That the Board of Directors authorizes the General Manager to enter into a two-year contract with PFM Asset Management for investment advisory services for an amount not-to-exceed \$40,000.

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