

CENTRAL BASIN MUNICIPAL WATER DISTRICT

APRIL 14, 2004 - Finance

Hawkins, No Quorum

APRIL 26, 2004 - Board Meeting

Prepared by: Margaret Moggia

Submitted by: Margaret Moggia

Approved by: Darryl G. Miller

ACTION CALENDAR

INVESTMENT ADVISORY SERVICES

SUMMARY:

Over the past several months, staff has presented an updated investment policy based on our review of other agencies policies and review of the California Government Code. As staff continues to address our current investment policy, staff has also evaluated the management of the District's investment portfolio. The management of the District's overall investment portfolio has changed in recent years as a result of current market conditions, the Local Agency Investment Fund (LAIF) performance, and cash requirements. In addition, the District's portfolio continues to increase in recent years based on good fiscal management and District operations.

Currently, the District invests its excess funds with LAIF or with the District's custodian. The custodian's fee is built into the interest rate and whose role is based on finding an investment that meets our criteria (i.e. risk, amount and time). The custodian's role is limited as to providing advice on investments, to assist in cash flow forecasting or to track the current market conditions.

In contrast, an investment advisor role can range from periodic review of an investment policy to daily market involvement to enhance returns, assist in the development of cash flow strategies, comply with government reporting requirements, and monitor the impact of current legislation. The role of the investment advisor is to be an extension of staff. The advisor focuses in the investment arena and is tracking the market daily. In evaluating the benefits of using an external investment advisory service, the District needs to consider the personnel and resources currently available. Those resources are software and pricing and credit services to actively manage the portfolio. In addition, staff personnel are limited in its capabilities to actively participate in the market based on the numerous roles the staff manages.

The District has received a proposal from Public Financial Management to provide staff assistance in the areas of policy and practices review (annual), comprehensive portfolio review (annual), an extensive cash flow analysis (periodic), performance benchmarking (quarterly) and portfolio structure stress-testing, and investment strategy (periodic). Their overall review would provide staff recommendations to improve earnings and create a more flexible and manageable portfolio. In addition, these services would provide key staff appropriate training as we address each of these areas.

The services describe above can be performed at a range of \$8,000-\$12,000 annually.

FISCAL IMPACTS:

Funds are available with the Finance and Support Services budget to cover the cost of this service.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by Director Hawkins member of the Finance Committee on April 14, 2004; there was no quorum. Director Hawkins suggested that the Board consider entering into an agreement with Public Financial Management for Investment Advisory Services for an annual fee of \$8,000-\$12,000 as described above to assist staff.

RECOMMENDED MOTION:

That the Board considers entering into an agreement with Public Financial Management for Investment Advisory Services in an amount not-to-exceed \$12,000 annually, from May 1, 2004 through April 20, 2005.