

RESOLUTION NUMBER R- 298621

ADOPTED ON NOV 24 2003

WHEREAS, on March 25, 2003, the City entered into an agreement with Public Financial Management, Inc. [PFM], on file in the Office of the City Clerk as Document No. C-11989, to start a pilot program tailored to reinvest bond proceeds that are escrowed with a trustee bank; and

WHEREAS, the pilot program used the refunding proceeds of the Series 2002 Water Revenue Bonds which were dedicated to the retirement of the 1993 Water Revenue Bonds; and

WHEREAS, over the past five months the program has generated more than \$2.3 million in profits with expenses for the program currently estimated at \$169,457, which include reinvestment services, legal opinions, and verification services; and

WHEREAS, the expenses, which are paid from the additional earnings generated by the program, were capped in the original agreement at \$200,000; and

WHEREAS, the City desires to continue the program and to amend the agreement to increase total expenditures by an additional \$200,000; and

WHEREAS, the program incorporates the use of a combination of State and Local Government Securities [SLGS] and other U.S. Treasury securities as reinvestment vehicles; and

WHEREAS, in 2002, PFM successfully implemented similar strategies for a number of state and local governments with \$4.4 billion in bond proceeds that derived \$50 million in additional earnings; and

WHEREAS, PFM is uniquely qualified to provide investment advisory services since they also have a full-time professional staff of portfolio managers, traders, and analysts that directly manage \$20 billion in assets; NOW, THEREFORE,


BE IT RESOLVED, by the Council of the City of San Diego, that the City Treasurer is authorized and empowered to execute, for and on behalf of said City, the First Amendment to the Financial Advisory Services Agreement with Public Financial Management, Inc., to provide financial advisory services for the reinvestment of the escrowed bonds, under the terms and conditions set forth in the attached Amendment, together with any reasonably necessary modifications or amendments thereto which do not increase project scope or cost and which the City Treasurer shall deem necessary from time to time in order to carry out the purposes and intent of this project and agreement.

BE IT FURTHER RESOLVED, that the expenditures of an amount not to exceed \$400,000 for fees and expenses will be paid from and are contingent upon excess escrow proceeds being generated through reinvestment activity, is authorized, solely, and exclusively for the purpose of providing professional services for the above program.

Agreement with Public Financial Management
on file in the Office of the City Clerk as
Document No. RR# 298621.

APPROVED: CASEY GWINN, City Attorney

By


Richard A. Duvernay
Deputy City Attorney

RAD:jab
11/10/2003
Or.Dept: Treasurer
R-2004-434

**FIRST AMENDMENT TO THE AGREEMENT BETWEEN
THE CITY OF SAN DIEGO AND
PUBLIC FINANCIAL MANAGEMENT

INVESTMENT ADVISORY SERVICES**

Dated: _____

Document No. _____

R-298621

**FIRST AMENDMENT TO THE AGREEMENT BETWEEN
THE CITY OF SAN DIEGO AND
PUBLIC FINANCIAL MANAGEMENT

FINANCIAL ADVISORY SERVICES**

THIS FIRST AMENDMENT ("First Amendment) TO THE AGREEMENT that was made and entered into by and between the City of San Diego (the "City") and Public Financial Management, Inc. (PFM) ("Investment Advisor") on the 26th day of March, 2003, (the Agreement), a copy of which is on file in the Office of the City Clerk as Document Number C-11989, is made and entered into this _____ day of November, 2003.

WHEREAS, the City entered into the Agreement for the purposes of reinvesting proceeds from the City of San Diego, Water Revenue Bonds, Series 2002 (the "Water Bonds"); and,

WHEREAS, the Agreement allows for the expansion of the Agreement to include any additional financing services not specifically identified within the terms of the Agreement; and,

WHEREAS, the City desires to amend the Agreement to amend increase the compensation.

NOW, THEREFORE, the Agreement is hereby amended as follows:

ARTICLE I - AMENDMENTS

I. Article III, Section B of the Agreement ("COMPENSATION") is amended in its entirety to read as follows:

B. COMPENSATION

Compensation for services described in this Agreement has been agreed upon by both parties. The limit of compensation under this agreement is \$400,000 for personnel services for the life of this contract, and all reasonable and necessary expenses as described and limited in Article III C. Billing rates for the services provided are outlined in the table below.

Sub-contracted Services:

At the direction of the City, the Investment Advisor will sub-contract for Verification and Legal Consultants (the "Consultants") for the City and will facilitate payment to the Consultants. The City agrees that the Investment Advisor shall not be responsible for independently verifying the accuracy of completeness on delivery of the Arbitrage Verification Report and no-adverse legal opinion, or any other subcontracted services, and agrees to hold harmless and indemnify the Investment Advisor from any loss or damages resulting from subcontracted work product.

Fixed Cost Reimbursements for Subconsultants Rate

Arbitrage Verification Report	\$ 2,500/report
No-Adverse Legal Opinion	\$ 6,000 for initial opinion \$ 3,500 each additional opinion

Investment Advisory Services:

The Investment Advisor will perform the necessary duties and transactions to complete any of the following Reinvestment Actions described below:

(1) for trades between open-market securities, the Investment Advisor will execute an open market purchase of a portfolio of Federal Securities, as described in the Indenture or Trust Agreement for the bond issue, with the proceeds of the bond issue, and sale of existing open market securities;

(2) for trades from open market securities to SLGS, the Investment Advisor will execute an open market sale of existing securities and subscription for SLGS;

(3) for trades from SLGS to open market securities, the Investment Advisor will execute an open market purchase of a portfolio of Federal Securities and redemption of SLGS; and,

(4) for trades from SLGS to open market securities and a Structured Investment (e.g., GIC, Forward Delivery Agreement, etc.), the Investment Advisor will execute an open market purchase of a portfolio of Federal Securities, redemption of SLGS, and execution of a Structured Investment.

The Investment Advisor will receive as compensation 10% of the Net Excess Escrow funds generated directly by the Reinvestment Action, subject to a mutually agreed fee of a minimum of \$20,000 to a cap of \$50,000. The Net Excess Escrow amount shall be the gross amount of funds over the Escrow Requirement generated by said Reinvestment Action less the costs of preparing and receiving the Escrow Verification Report and No-Adverse Legal Opinion.

The aforementioned compensation schedule shall be the maximum compensation that shall be charged per Reinvestment Action. Under no circumstances shall the aggregate amount of compensation per Reinvestment Action exceed the gross amount of funds over the Escrow Requirement generated by said Reinvestment Action.

ARTICLE 2 – TOTAL AGREEMENT

This First Amendment affects only those sections of the Agreement that are amended herein. All other terms and conditions of the Agreement remain in full force and effect.

IN WITNESS THEREOF, this First Amendment is executed by the City of San Diego acting by and through its City Manager pursuant to Resolution No. _____ and by the Investment Advisor dated this ____ day of _____, 2003.

THE CITY OF SAN DIEGO

By: _____
Mary Vattimo
City Treasurer

Date: _____

PUBLIC FINANCIAL MANAGEMENT

By: Michael W. Harris
Michael W. Harris
Managing Director

Date: 10/15/03

I hereby approve the form and legality of the foregoing Agreement this ____ day of _____, 2003.

CASEY GWINN, City Attorney

By: _____
Kelly J. Salt
Deputy City Attorney