

**SUBMITTAL TO THE FLOOD CONTROL AND
WATER CONSERVATION DISTRICT BOARD
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

309B



FROM: General Manager-Chief Engineer

SUBMITTAL DATE:
April 10, 2012

SUBJECT: Investment Management Services
Professional Services Agreement

RECOMMENDED MOTION:

1. Approve the Professional Services Agreement (Agreement) between the District and the PFM Asset Management LLC (Consultant);
2. Authorize the Chairman to execute the Agreement documents on behalf of the District; and
3. Authorize the District's General Manager-Chief Engineer to renew the Agreement for Fiscal Years 2012-2013, 2013-2014, 2014-2015 and 2015-2016.

BACKGROUND:

The Agreement sets forth the terms and conditions by which the Consultant will provide investment advisory services to the District.

Continued on Page 2

WARREN D. WILLIAMS
General Manager-Chief Engineer

FINANCIAL DATA	Current F.Y. District Cost:	\$80,000	In Current Year Budget:	Yes
	Current F.Y. County Cost:	N/A	Budget Adjustment:	N/A
	Annual Net District Cost:	\$80,000	For Fiscal Year:	11-12, 12-13, 13-14, 14-15, 15-16

SOURCE OF FUNDS: 15100 947200 525440 – Admin. Professional Services	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

BY:
Michael R. Shetler

County Executive Office Signature

Departmental Concurrence

Dept't Recomm.: Consent Policy

Per Exec. Ofc.: Consent Policy

Prev. Agn. Ref.:

District: All

Agenda Number:

11.2

FISCAL POLICIES APPROVED
 BY: IVAN M. CHANG, FINANCE DIRECTOR
 12/5/2012

FORM APPROVED COUNTY COUNSEL
 BY: NEAL R. KIPNIS
 DATE: 4/23/12

**FLOOD CONTROL AND WATER CONSERVATION DISTRICT BOARD SUBMITTAL
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

SUBJECT: Investment Management Services
Professional Services Agreement

SUBMITTAL DATE: April 10, 2012
Page 2

BACKGROUND:

In accordance with County Board Policy A-18, a Request for Proposal (RFP) was prepared and sent to known vendors as well as being posted on the Internet. All qualifying bids were evaluated based on pre-established criteria such as scope of work, qualifications, responsiveness to the RFP, feasibility and cost. PFM Asset Management LLC (Consultant) met the District's requirements and was the highest ranked respondent in overall scoring after evaluation of all of the proposals submitted for consideration in the RFP process.

County Counsel has approved the Agreement as to legal form and the Consultant has executed the Agreement.

FINANCIAL:

Sufficient funding is available in the District's budget(s) for Fiscal Year 2011-2012 and will be included in the proposed budget(s) for Fiscal Years 2012-2013 through 2015-2016.

TT:blj
P8/143260

PROFESSIONAL SERVICES AGREEMENT

INVESTMENT MANAGEMENT SERVICES

1
2 RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION
3 DISTRICT, hereinafter called "DISTRICT", and PFM ASSET MANAGEMENT LLC, a
4 Delaware limited liability company, hereinafter called "CONSULTANT", hereby agree as
5 follows:
6

7 **1. PROJECT**

8 CONSULTANT shall provide investment management services for DISTRICT'S
9 investment portfolio, hereinafter called "PROJECT", as further described in
10 CONSULTANT'S Scope of Services attached hereto as Attachment A and made a part
11 hereof, and in accordance with applicable Federal, State, and local laws and regulations.
12

13 **2. SCOPE OF SERVICES**

14 DISTRICT hereby retains CONSULTANT, as an independent contractor, to perform all
15 technical and professional services including but not limited to expertise, labor, material,
16 equipment, transportation, supervision, and other incidental services to fully and
17 adequately perform and complete in a skillful and professional manner those investment
18 management services set forth in Attachment A, and CONSULTANT agrees to perform
19 said services within the time limits specified herein. CONSULTANT shall not provide
20 any custodial or securities safekeeping services.
21

22 By entering into this Agreement, CONSULTANT shall adhere to the Chartered Financial
23 Analyst (CFA) Institute's Code of Ethics and Standards of Professional Conduct.

24 **3. TIME FOR PERFORMANCE**

25 CONSULTANT shall commence performance of services upon receipt of a written Notice
26 to Proceed from DISTRICT authorizing CONSULTANT to initiate work pursuant to this
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1 Agreement. CONSULTANT shall diligently perform the services to full completion by
2 June 30, 2012. Prior to the termination of this Agreement, by mutual written consent of
3 DISTRICT and CONSULTANT, this Agreement may be renewed for four (4) additional
4 one-year terms through June 30, 2016.

5 **4. COMPENSATION AND PAYMENT**

6 DISTRICT shall pay CONSULTANT for actual services satisfactorily performed and
7 expenses incurred in accordance with the "Fee Schedule" as set forth on Attachment B,
8 attached hereto and made a part hereof. The total amount paid to CONSULTANT under
9 this Agreement shall not exceed the sum of eighty thousand dollars (\$80,000) in any given
10 fiscal year. Unless otherwise specifically stated in Attachment B, DISTRICT shall not be
11 responsible for payment of any of CONSULTANT'S expenses related to this Agreement.
12

13 Upon satisfactory performance of CONSULTANT'S services as set forth herein,
14 DISTRICT shall pay CONSULTANT within thirty (30) days after DISTRICT'S receipt of
15 appropriate monthly invoice(s) from CONSULTANT. CONSULTANT shall keep
16 employee and expense records according to customary accounting methods and such
17 records shall, upon request, be made available for inspection by DISTRICT to verify
18 CONSULTANT'S invoice(s). All invoices shall itemize charges to conform to the
19 portion(s) of services and costs as set forth on Attachment B.
20

21 **5. TERMINATION**

22 At any time during the term of this Agreement, DISTRICT may:

- 23 A. Terminate this Agreement without cause upon providing CONSULTANT thirty
24 (30) days written notice stating the extent and effective date of termination; or
25
26 B. Upon five (5) days written notice, terminate this Agreement for CONSULTANT
27 default, if CONSULTANT refuses or fails to comply with the provisions of this
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1 Agreement or fails to make progress so as to endanger performance and does not
2 cure such failure within a reasonable period of time. In the event of such
3 termination, DISTRICT may proceed with the work in any manner deemed proper
4 to DISTRICT.

5 In the event DISTRICT issues a Notice of Termination, CONSULTANT shall (i) stop all
6 work under this Agreement on the date specified in the Notice of Termination; and (ii)
7 transfer to DISTRICT and deliver in the manner, and to the extent, if any, as directed by
8 DISTRICT, any equipment, data or reports which, if the Agreement had been completed,
9 would have been required to be furnished to DISTRICT.

10 In the event DISTRICT terminates this Agreement, DISTRICT shall make payment for all
11 services performed in accordance with this Agreement to the date of termination, a total
12 amount which bears the same ratio to the total maximum fee otherwise payable under this
13 Agreement as the services actually bear to the total services necessary for performance of
14 this Agreement. Notwithstanding any of the other provisions of this Agreement,
15 CONSULTANT rights under this Agreement shall terminate (except for fees accrued prior
16 to the date of termination) upon dishonesty, or a willful or material breach of this
17 Agreement by CONSULTANT, or in the event of CONSULTANT'S unwillingness or
18 inability for any reason whatsoever to perform the duties hereunder, or if the Agreement is
19 terminated pursuant to Section 18, hereinafter titled NON-DISCRIMINATION. In such
20 event, CONSULTANT shall not be entitled to any further compensation under this
21 Agreement. The rights and remedies of DISTRICT provided in this section shall not be
22 exclusive and are in addition to any other rights and remedies provided by law or under
23 this Agreement.
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6. **COMPLIANCE WITH LEGAL REQUIREMENTS**

CONSULTANT shall comply with all applicable foreign, international, federal, state, county and local laws, regulations, ordinances, registrations, filings, approvals, authorizations, consents and examinations.

7. **REGISTERED ADVISOR; DUTY OF CARE**

CONSULTANT hereby represents that it is a registered investment advisor with the Securities and Exchange Commission under the Investment Advisers Act of 1940, and that it has completed, obtained and performed all necessary registrations, filings, approvals, authorizations, consents, and examinations required by any applicable governmental authority for its services contemplated by this Agreement. CONSULTANT shall immediately notify DISTRICT if at any time during the term of this Agreement it is not so registered or if its registration is suspended. CONSULTANT agrees to perform its duties and responsibilities under this Agreement with reasonable care. The federal securities laws impose penalties under certain circumstances on persons who are required to act in good faith. Nothing herein shall in any way constitute a waiver or limitation of any rights which DISTRICT or CONSULTANT may have under any federal securities laws.

8. **INDEPENDENT CONTRACTOR**

CONSULTANT and the agents and employees of CONSULTANT, shall act at all times in an independent capacity during the term of this Agreement and in the performance of the services to be rendered hereunder and shall not act as or shall not be and shall not in any manner be considered to be employees of DISTRICT.

9. **COMPLAINTS OR DISCIPLINARY ACTIONS**

To the extent permitted by applicable law, CONSULTANT shall promptly notify DISTRICT in writing of any extraordinary investigation, examination, complaint,

1 disciplinary action or other proceeding relating to or affecting CONSULTANT'S ability to
2 perform its duties under this Agreement, which is commenced by any of the following
3 entity: (A) the Securities and Exchange Commission of the United States, (B) the New
4 York Stock Exchange, (C) the American Stock Exchange, (D) the National Association of
5 Securities Dealers, (E) Financial Industry Regulatory Authority, (F) any other agency or
6 department of the United States, (G) any registered securities exchange, or (H) any
7 Attorney General or any regulatory authority of any State of the United States in which
8 CONSULTANT is doing business. Except as otherwise required by law, DISTRICT shall
9 maintain the confidentiality of all such information until the investigating entity makes the
10 information public.
11

12 10. **INSURANCE**

13 CONSULTANT shall not commence operations until DISTRICT has been furnished with
14 original certificate(s) of insurance and original certified copies of endorsements or policies
15 of insurance including all endorsements and any and all other attachments as required in
16 this Section.

17 Without limiting or diminishing CONSULTANT'S obligation to indemnify or hold
18 DISTRICT harmless, CONSULTANT shall procure and maintain or cause to be
19 maintained, at its sole cost and expense, the following insurance coverages throughout the
20 term of this Agreement:
21

22 A. **WORKERS' COMPENSATION**

23 If CONSULTANT has employees as defined by the State of California,
24 CONSULTANT shall maintain Workers' Compensation Insurance (Coverage A) as
25 prescribed by the laws of the State of California. Policy shall include Employer's
26 Liability (Coverage B) including Occupational Disease with limits not less than
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1 \$1,000,000 per person per accident. Policy shall be endorsed to waive subrogation
2 in favor of DISTRICT, and, if applicable, to provide a Borrowed Servant/Alternate
3 Employer endorsement.

4 B. COMMERCIAL GENERAL LIABILITY

5 Commercial General Liability insurance coverage, including but not limited to,
6 premises liability, contractual liability, completed operations, personal and
7 advertising injury covering claims which may arise from or out of CONSULTANT'S
8 performance of its obligations hereunder. Policy shall name the Riverside County
9 Flood Control and Water Conservation District, the County of Riverside, its
10 agencies, districts, special districts, and departments, their respective directors,
11 officers, Board of Supervisors, elected or appointed officials, employees, agents or
12 representatives as additional insureds. Policy's limit of liability shall not be less than
13 \$1,000,000 per occurrence combined single limit. If such insurance contains a
14 general aggregate limit, it shall apply separately to this Agreement or be no less than
15 two (2) times the occurrence limit.
16

17 C. VEHICLE LIABILITY

18 If vehicles or mobile equipment are used in the performance of the obligations under
19 this Agreement, CONSULTANT shall maintain liability insurance for all owned,
20 non-owned or hired vehicles in an amount not less than \$1,000,000 per occurrence
21 combined single limit. If such insurance contains a general aggregate limit, it shall
22 apply separately to this Agreement or be no less than two (2) times the occurrence
23 limit. If CONSULTANT does not own vehicles, CONSULTANT shall maintain
24 coverage for non-owned or hired vehicles in an amount not less than \$1,000,000 per
25 occurrence combined single limit. Such non-owned or hired coverage may be
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1 included on the Commercial General Liability policy. Policy shall name the
2 Riverside County Flood Control and Water Conservation District, the County of
3 Riverside, its agencies, districts, special districts, and departments, their respective
4 directors, officers, Board of Supervisors, elected or appointed officials, employees,
5 agents or representatives as additional insureds.

6 D. PROFESSIONAL LIABILITY

7 CONSULTANT shall maintain Professional Liability Insurance providing coverage
8 for CONSULTANT'S performance of work included within this Agreement, with a
9 limit of liability of not less than \$10,000,000 per occurrence and \$10,000,000 annual
10 aggregate. If CONSULTANT'S Professional Liability Insurance is written on a
11 claims made basis rather than an occurrence basis, such insurance shall continue
12 through the term of this Agreement and CONSULTANT shall purchase at its sole
13 expense either 1) an Extended Reporting Endorsement (also known as Tail
14 Coverage); or 2) Prior Dates Coverage from a new insurer with a date retroactive to
15 the date of, or prior to, the inception of this Agreement; or, 3) demonstrate through
16 Certificates of Insurance that CONSULTANT has maintained continuous coverage
17 with the same or original insurer. Coverage provided under items; 1), 2) or 3) will
18 continue as long as the law allows.

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21 E. GENERAL INSURANCE PROVISIONS – ALL LINES

22 a. Any insurance carrier providing insurance coverage hereunder shall be admitted
23 to the State of California and have an A.M. BEST rating of not less than an A:
24 VIII (A:8) unless such requirements are waived, in writing, by the County Risk
25 Manager. If the County's Risk Manager waives a requirement for a particular
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1 insurer such waiver is only valid for the specific insurer and only for one policy
2 term.

3 b. CONSULTANT must declare its insurance self-insured retentions. If any such
4 self-insured retention exceeds \$500,000 per occurrence each such retention shall
5 have the prior written consent of the County Risk Manager before the
6 commencement of operations under this Agreement. Upon notification of self-
7 insured retention deemed unacceptable to DISTRICT, and at the election of the
8 County's Risk Manager, CONSULTANT'S carriers shall either; 1) reduce or
9 eliminate such self-insured retention with respect to this Agreement with
10 DISTRICT, or 2) procure a bond which guarantees payment of losses and related
11 investigations, claims administration, and defense costs and expenses.
12

13 c. CONSULTANT shall cause their insurance carrier(s) to furnish DISTRICT with
14 1) a properly executed original certificate(s) of insurance and original certified
15 copies of endorsements effecting coverage as required herein; and 2) if requested
16 to do so orally or in writing by the County Risk Manager, provide original
17 certified copies of policies including all endorsements and all attachments
18 thereto, showing such insurance is in full force and effect. Further, said
19 certificate(s) and policies of insurance shall contain the covenant of the insurance
20 carrier(s) that thirty (30) days written notice shall be given to DISTRICT prior to
21 any cancellation, expiration or reduction in coverage of such insurance.
22 CONSULTANT agrees that it will not materially alter any of the insurance
23 policies currently in force and relied on in executing and delivering this
24 Agreement. Further, CONSULTANT will not reduce any coverage amount
25 below the limits specified in this Agreement. In the event of a material
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1 modification, cancellation, expiration or reduction in coverage, this Agreement
2 shall terminate forthwith, unless DISTRICT receives, prior to such effective date,
3 another properly executed original certificate of insurance and original copies of
4 endorsements or original certified policies, including all endorsements and
5 attachments thereto, evidencing coverages set forth herein and the insurance
6 required herein is in full force and effect. Individual(s) authorized by the
7 insurance carrier to do so on its behalf shall sign the original endorsements for
8 each policy and the certificate of insurance.

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- 10 d. It is understood and agreed by the parties hereto that CONSULTANT'S insurance
11 shall be construed as primary insurance, and DISTRICT'S insurance and/or
12 deductibles and/or self-insured retentions or self-insured programs shall not be
13 construed as contributory.
- 14 e. If, during the term of this Agreement or any extension thereof, there is a material
15 change in the scope of services; or there is a material change in the equipment to
16 be used in the performance of the scope of work which will add additional
17 exposures (such as the use of aircraft, watercraft, cranes, etc.); or the term of this
18 Agreement, including any extensions thereof, exceeds five (5) years, DISTRICT
19 reserves the right to adjust the types of insurance required under this Agreement
20 and the monetary limits of liability for insurance coverage's currently required
21 herein, if, in the County Risk Manager's reasonable judgment, the amount or type
22 of insurance carried by CONSULTANT has become inadequate.
- 23
- 24 f. CONSULTANT shall pass down the insurance obligations contained herein to all
25 tiers of subcontractors working under this Agreement.
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1 g. The insurance requirements contained in this Agreement may be met with a
2 program(s) of self-insurance acceptable to DISTRICT.

3 h. CONSULTANT agrees to notify DISTRICT of any claim by a third party or any
4 incident or event that may give rise to a claim arising from the performance of
5 this Agreement.

6 11. **INDEMNIFICATION**

7 CONSULTANT shall indemnify and hold harmless DISTRICT (including its officers,
8 Board of Supervisors, elected and appointed officials, employees, agents and
9 representatives) from any and all liability, claim, damage, proceeding or action, present or
10 future, based upon, arising out of or in any way relating to CONSULTANT'S (including
11 its officers, employees, subcontractors and agents) actual or alleged negligent, reckless or
12 willful misconduct, acts or omissions related to this Agreement, performance under this
13 Agreement, or failure to comply with the requirements of this Agreement, including but
14 not limited to: (a) property damage; (b) bodily injury or death; or (c) any other element of
15 any kind or nature whatsoever.

17 CONSULTANT shall defend, at its sole expense, including all costs and fees (including
18 but not limited to attorney fees, cost of investigation, defense and settlements or awards),
19 DISTRICT (its officers, Board of Supervisors, elected and appointed officials, employees,
20 agents and representatives) in any claim, proceeding or action for which indemnification is
21 required.
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23 With respect to any of CONSULTANT'S indemnification requirements, CONSULTANT
24 shall, at its sole cost, have the right to use counsel of their own choice and shall have the
25 right to adjust, settle, or compromise any such claim, proceeding or action without the
26 prior consent of DISTRICT; provided, however, that such adjustment, settlement or
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1 compromise in no manner whatsoever limits or circumscribes CONSULTANT'S
2 indemnification obligations to DISTRICT.

3 CONSULTANT'S indemnification obligations shall be satisfied when CONSULTANT
4 has provided to DISTRICT the appropriate form of dismissal (or similar document)
5 relieving DISTRICT from any liability for the claim, proceeding or action involved.

6 The specified insurance limits required in this Agreement shall in no way limit or
7 circumscribe CONSULTANT'S obligations to indemnify and hold harmless DISTRICT
8 from third party claims.

9 In the event there is conflict between this section and California Civil Code Section 2782,
10 this section shall be interpreted to comply with California Civil Code Section 2782. Such
11 interpretation shall not relieve CONSULTANT from indemnifying DISTRICT or the
12 County of Riverside to the fullest extent allowed by law. The obligations reflected in this
13 Section shall survive the discharge or other termination of this Agreement.

14
15 **12. WORK PRODUCT**

16 All work products or deliverables furnished under this Agreement shall be and remain the
17 sole property of DISTRICT. CONSULTANT shall not publish or transfer any material
18 produced or resulting from activities supported by this Agreement without the written
19 consent of the General Manager-Chief Engineer. If any such material is subject to
20 copyright or trademark, the parties agree that the right to any and all copyright and/or
21 trademark in and to the material is expressly reserved to DISTRICT. If any such material
22 is copyrighted, the parties hereto understand and agree that DISTRICT reserves a royalty-
23 free, non-exclusive, and irrevocable license to reproduce, publish, and use such material,
24 in whole or in part, and to authorize others to do so, provided written credit is given the
25 author.
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13. **CONFIDENTIALITY OF DATA**

1 All financial, statistical, personal, technical or other data and information made available
2 to CONSULTANT shall not be disclosed (in whole or in part) by CONSULTANT to any
3 third parties and shall be protected by CONSULTANT from unauthorized use and
4 disclosure. The only exception to this shall be if disclosure is approved in advance in
5 writing by DISTRICT or if the disclosure is made to CONSULTANT'S subcontractors as
6 anticipated by this Agreement.
7

8 CONSULTANT shall not issue any news release or public relations item regarding
9 designated confidential information or CONSULTANT'S work under this Agreement,
10 without prior review of the contents and written approval by DISTRICT.
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12 These same requirements shall be applicable to any of CONSULTANT'S subcontractors.

13 CONSULTANT shall include the requirements stated in this section in the Agreement
14 with any of its subcontractors.

15 14. **ASSIGNMENT**

16 Neither this Agreement nor any part thereof shall be assigned by CONSULTANT without
17 the prior written consent of DISTRICT.
18

19 15. **JURISDICTION/LAW/SEVERABILITY**

20 This Agreement is to be construed in accordance with the laws of the State of California.

21 If any provision of this Agreement is held by a court of competent jurisdiction to be
22 invalid, void or unenforceable, the remaining provisions shall be declared severable and
23 shall be given full force and effect to the extent possible.

24 Any legal action, in law or in equity related to the performance or interpretation of this
25 Agreement shall be filed only in the Superior Court of the State of California located in
26 Riverside, California, and the parties waive any provision of law providing for a change of
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1 venue to another location. Prior to the filing of any legal action, the parties shall be
2 obligated to attend a mediation session with a neutral mediator or try to resolve the
3 dispute.

4 16. **WAIVER**

5 Any waiver by DISTRICT of any breach of any one or more of the terms of this
6 Agreement shall not be construed to be a waiver of any subsequent or other breach of the
7 same or of any other term thereof. Failure on the part of DISTRICT to require exact, full
8 and complete compliance with any terms of this Agreement shall not be construed as in
9 any manner changing the terms hereof, or estopping DISTRICT from enforcement hereof.
10

11 17. **CONFLICT OF INTEREST**

12 CONSULTANT covenants that it presently has no interest, including but not limited to,
13 other projects or independent contracts, and shall not acquire any such interest, direct or
14 indirect, which would conflict in any manner or degree with the performance of services
15 required to be performed under this Agreement. CONSULTANT further covenants that in
16 the performance of this Agreement, no person having any such interest shall be employed
17 or retained by it under this Agreement.
18

19 18. **NON-DISCRIMINATION**

20 In the performance of the terms of this Agreement, CONSULTANT shall not engage in
21 nor permit others he may employ to engage in discrimination in the employment of
22 persons because of the race, color, national origin or ancestry, religion, physical handicap,
23 disability, as defined by the Americans with Disabilities Act (ADA), medical condition,
24 marital status, age or sex of such persons, in accordance with the provision of California
25 Labor Code Section 1735.
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19. **NOTICES**

Any notices sent or required to be sent to either party shall be mailed to the following addresses:

RIVERSIDE COUNTY FLOOD CONTROL
AND WATER CONSERVATION DISTRICT
1995 Market Street
Riverside, CA 92501
Attn: Ivan Chand

PFM ASSET MANAGEMENT LLC
50 California Street, Suite 2300
San Francisco, CA 94111
Attn: Nancy Jones

20. **NON-APPROPRIATION OF FUNDS**

It is mutually agreed and understood that the obligations of DISTRICT are limited by and contingent upon the availability of DISTRICT funds for the reimbursement of CONSULTANT'S fees. In the event that such funds are not forthcoming for any reason, DISTRICT shall immediately notify CONSULTANT in writing. This Agreement shall be deemed terminated and have no further force and effect immediately on receipt of DISTRICT'S notification by CONSULTANT. In the event of such termination, CONSULTANT shall be entitled to payment for work already completed in accordance with Section 4 (COMPENSATION AND PAYMENT).

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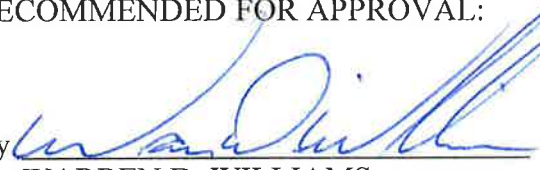
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IN WITNESS WHEREOF, the parties hereto have executed this Agreement on

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(to be filled in by Clerk of the Board)


RECOMMENDED FOR APPROVAL: **RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT**

By 
WARREN D. WILLIAMS
General Manager-Chief Engineer

By _____
MARION ASHLEY, Chairman
Riverside County Flood Control and Water
Conservation District Board of Supervisors

APPROVED AS TO FORM:
PAMELA J. WALLS
County Counsel

ATTEST:
KECIA HARPER-IHEM
Clerk of the Board

By 
NEAL R. KIPNIS
Deputy County Counsel

By _____
Deputy

(SEAL)

Professional Services Agreement
Investment Management Services
1/18/12
TT:blj

PFM ASSET MANAGEMENT LLC
a Delaware limited liability company

By Nancy Jones
NANCY JONES
Managing Director

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Professional Services Agreement
Investment Management Services
1/18/12
TT:blj

Attachment A

SCOPE OF SERVICES

The CONSULTANT will be responsible for investment management services including, but not limited to, the following:

- Manage on a daily basis the District's separate investment portfolios pursuant to the specific, stated investment objectives. Place all orders for the purchase and sale of securities, communicate settlement information to the District's staff and coordinate security settlement.
- Serve as a general resource to the District's staff for information, advice and training regarding fixed income securities and investments.
- Work with the District's staff to understand cash flow projections to ensure that the investment strategy is consistent with the District's liquidity requirements.
- Provide monthly statements with all the information required by the California Government Code and Governmental Accounting Standards Board (GASB). These reports must include a mark-to-market valuation. The investment manager must maintain accurate reports of investments including the diversity of investments and compliance with applicable investment policies of the District and the State of California statutes.
- Provide quarterly investment reports including a description of market conditions, investment strategies employed, performance, and suggested changes to investment strategy. The performance numbers shall be presented as required by the Chartered Financial Analysts (CFA) Institute's Global Investment Performance Standards (GIPS).

NOTE: Custodial or securities safekeeping services IS NOT a part of this scope of services.

Attachment B

FEE SCHEDULE

A fully inclusive blended fee for services will be charged monthly, in arrears, based on the average assets under management for the month in accordance with the following schedule:

Assets Under Management	Basis Points per year (Percentage)*
First \$25,000,000	10 (0.1%)
Between \$25,000,000 and \$50,000,000	8 (0.08%)
Between \$50,000,000 and \$100,000,000	7 (0.07%)
Over \$100,000,000	6 (0.06%)

Note: The above fee schedule encompasses all the fees associated with delivering those investment management services as shown on Attachment A. For a \$100 million portfolio, the blended fee would average 8 basis points (0.08%), or \$80,000. No fees would be charged for funds invested in the State Local Agency Investment Fund (LAIF) or the County of Riverside's Pooled Investment Fund. The minimum annual fee is \$15,000.

* Blended rates are fixed for Fiscal Years (FYs) 2011-2012 through 2013-2014. For FYs 2014-2015 and 2015-2016, these rates are subject to negotiation of an adjustment in line with the Consumer Price Index (CPI).

Attachment B

FEE SCHEDULE (Cont'd.)

Fees for arbitrage related services will be charged in accordance with the following table:

Standard Report Fees*	
Initial document review & setup fee (one-time fee only) **	\$ 300
Arbitrage rebate/yield restriction compliance report fee ***	\$1,900
Report fee – Debt service reserve fund & debt service fund only ***	\$1,400
Report fee – Debt service fund and/or escrow fund only ***	\$1,000
Spending exception compliance report only	\$1,750
Fees for Additional Services (only applicable if the services are required and as directed by District in writing)	
Transferred proceeds calculation & allocation analysis	\$ 750
Variable rate arbitrage yield calculation	\$ 750
Swap payment allocation/swap termination payment allocation in arbitrage yield calculation	\$ 350
Commingled funds cash flow & allocation analysis	\$ 750
Each additional computation period in excess of 1-year from prior calculation date or issue date	\$ 750
Refund request analysis, preparation, and support services	\$2,500
Preparation of late payment explanation	\$ 500
Maximum 5-year period arbitrage compliance report fee ****	\$5,500

* Includes arbitrage rebate and yield restriction compliance calculations, 8038-T preparation, and universal cap analysis.

** Waived for all issues transferred from another rebate consultant.

*** Additional calculations prepared for the same bond issue during the same calendar year will be prepared at a 50% discount.

**** Applies per bond issue, per calculation. Excludes fees for refund request analysis and preparation.