Children & Families
Commission of Orange County

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Agenda Item No. 6
December 5, 2007 Meeting

DATE: December 5, 2007

TO: Children and Families Commission of Orange County

FROM: Michael M. Ruane, Executive Director

SUBJECT: **Extension of Agreement with Sperry Capital, Inc. for Financial Advisory Services**

SUMMARY:
On April 4, 2007, the Commission appointed members to the Investment Oversight Committee (IOC). Sperry Capital, Inc., an independent financial advisory firm, was retained at the same time to conduct a thorough review of the Commission's Investment Policy Statement and existing investment structure, and provide findings and recommendations for improvements to the IOC.

Review of Investment Programs:
Since April of this year, the Commission's Investment Oversight Committee has been conducting a review of the Commission's Investment Policy and Program with the assistance of Sperry Capital. At the June 27, 2007 Commission meeting, Jim Martling of Sperry Capital, presented an overview of investment management considerations, including benchmarks and reporting, goals, and strategies that are being considered during the review of the Commission's Investment Policy and existing investment structure by the Investment Oversight Committee.

Additionally, Sperry Capital has worked closely with the IOC and Commission staff to accomplish the following:

- Review and update the Commission's 2005 Investment Policy Statement (IPS) for compliance with current code requirements. The Commission adopted the updated IPS in May 2007. Only technical clarifications were approved in May.

- In July 2007, formulation of preliminary recommendations for enhancing the ability of the Commission's investment program to maintain liquidity, and to provide enhanced supplemental funding for the long-term sustainability of Commission programs.

- Preparation of "Quarterly Investment Report for the Period Ended June 30, 2007," received by the Commission in September 2007. The Quarterly Investment Report for the first quarter of FY 2007-08 is presented in the December 5, 2007 Executive Officer's Report to the Commission.

- On-going review and monitoring of the investment and management of Commission funds by the Orange County Treasurer's Office.

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On-Going Need for Financial Advisory Consulting Services:
It is prudent that we continue to monitor the investment of Commission funds (approximately $160 million) as managed by the County Treasurer's Office; provide technical expertise in support of the Investment Oversight Committee; and regularly report to the Commission about the investment program. Availability of independent financial advisory expertise is essential to these efforts. Therefore, staff recommends that the Commission approve extension of the Sperry Capital agreement from January 1through June 30, 2008.

The County Executive Office (CEO) maintains several qualified panels of public finance consultants, including a qualified panel of financial advisors. The panels are updated periodically to ensure that firms with the most relevant skills, background, and experience are included. During 2006, the CEO completed a Request for Qualifications (RFQ) process for financing consultants (Underwriters, Bond Counsel, and Financial Advisors). In October 2006, the Board of Supervisors approved a qualified panel of financial advisors, which included Sperry Capital, Inc.

In similar fashion, staff will conduct a RFQ process in early 2008 for selection of a financial advisory firm to serve the Commission for a period beginning on July 1, 2008.

STRATEGIC PLAN & FISCAL SUMMARY:
The proposed action has been reviewed in relation to the Commission's Strategic Plan and is consistent with the outcome goals. Sufficient funds for this request are available in the Commission's approved FY 2007-08 Annual Operating Budget within the Professional & Technical Services budget category. This funding request is for a not-to-exceed amount of $30,000 for the period January 1, 2008 through June 30, 2008.

RECOMMENDED ACTION(S):

1. Authorize Executive Director or designee to extend the term of Agreement #PS-40 with Sperry Capital, Inc. to provide professional consulting services for the period January 1, 2008 through June 30, 2008, in an amount not to exceed $30,000.

Contact: Steve Kozak, Chief Operations Officer