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October 21, 1996

TO: BOARD OF DIRECTORS

FROM: JOSEPH E. DREW, CHIEF EXECUTIVE OFFICER

**SUBJECT: APPROVE THE SELECTION OF FIRMS TO PROVIDE
FIXED INCOME INVESTMENT MANAGEMENT SERVICES FOR
A PERIOD OF (1) YEAR, WITH THE OPTION TO EXTEND THE
CONTRACT MONTHLY AT THE ELECTION OF THE MTA.**

Los Angeles County
Metropolitan
Transportation
Authority

RECOMMENDATION

Approve the selection of the following firms to provide investment management services for the MTA's operating funds under RFP No. PS53200007:

	<u>Portfolio (\$ Millions)</u>	<u>Maximum Annual Fees</u>
Bank of America	\$75	0.10%
Pacific Investment Management Company	\$75	0.15%
Danson & Neuhar	\$25	0.1625%
LM Capital	\$40	0.18%
V.A. Reid	\$38	0.175%

The above recommendation satisfies the goals of the RFP by lowering the annual cost on a base portfolio of \$253 million by an estimated \$52 thousand annually. It also satisfies the goals by reducing the number of external managers from six to five, while meeting the MTA's M/WBE requirements.

ORGANIZATIONAL IMPACT

External investment managers are used to ensure the discretionary funds of the MTA are prudently invested to preserve capital, provide necessary liquidity, and maximize investment earnings.

BUDGET IMPACT

Fees for investment management services are budgeted in the FY 1996-97 Adopted Budget.

ALTERNATIVES CONSIDERED

The MTA could rely solely upon staff and elect not to select external investment managers to invest the discretionary funds. However, the external investment managers contribute to accomplishing diversification of the total investment portfolio. In addition, they have expanded resources that enhance their ability to adequately investigate and

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