



COUNTY OF SAN MATEO
Inter-Departmental Correspondence

County Manager's Office

DATE: July 6, 2009
BOARD MEETING DATE: July 14, 2009
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors
FROM: Reyna Farrales, Deputy County Manager
SUBJECT: First Amendment to Agreement with Alan Biller and Associates

RECOMMENDATION:

Adopt a Resolution authorizing an amendment to the Agreement with Alan D. Biller & Associates, Inc. for investment consulting services, extending the term to July 31, 2009.

BACKGROUND:

On September 15, 2008, Lehman Brothers Holdings, Inc. filed for bankruptcy in the United States Bankruptcy Court in New York. On this date, the County Investment Pool held 5.9% or approximately \$155 million of its value in Lehman securities. The \$155 million loss has been distributed among pool participants as of September 30, 2008, in accordance with the Investment Policy. The Board Finance and Operations Committee, under the leadership of Supervisors Mark Church and Rich Gordon, initiated a comprehensive process of reviewing and revising the County's Investment Policy in order to minimize risks, create greater diversification and improve the safety and stability of pooled funds.

DISCUSSION:

A Request for Proposals (RFP) was issued in November 2008 for investment advisory and consulting services. Alan Biller and Associates, located in Menlo Park, was selected to perform the following services:

- (1) Review the events and analyses that led to the decisions to invest in and hold Lehman securities in the County Investment Pool, and determine whether



- investments were at all times in conformance with the Investment Policy;
- (2) Recommend improvements to the current Investment Policy, incorporating best practices as well as input from Investment Pool participants, County Investment Policy Workgroup and County Treasurer;
 - (3) Recommend improvements to the existing organization structure, oversight practices, fees and resources applied to the management of similar sized portfolios relative to industry best practices;

Your Board approved the original Agreement (Resolution 069911) on February 3, 2009, with a term of February 4 through May 29, 2009, for an amount not to exceed \$95,000. The firm required additional time to conduct interviews and prepare its final report. It is recommended that the term be extended to July 31, 2009 to complete the work and process final payment.

Approval of this amendment contributes to the Shared Vision of a Collaborative Community that approaches issues with fiscal accountability and concern for future impacts by recommending improvements to the County Investment Policy and investment function in order to minimize risks, create greater diversification and improve the safety and stability of pooled funds.

Performance Measure(s):

Measure	FY 2007-08 Actual	FY 2008-09 Estimate
% of work completed within budget and within timelines established by County and contractor	N/A	100%

FISCAL IMPACT:

The original term of the Agreement was February 4, 2009 to May 29, 2009. This amendment extends the term to July 31, 2009 to allow more time for completion of the final report. There is no change to the amount.