

Fairfax Water

OFFICE OF PROCUREMENT
8570 EXECUTIVE PARK AVENUE
FAIRFAX, VIRGINIA 22031
TELEPHONE: (703) 289-6255
FACSIMILE: (703) 289-6262

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CONTRACT # 16-12

INVESTMENT ADVISOR AND PORTFOLIO MANAGEMENT SERVICES

This Agreement, effective as of the 23rd day of February, 2017, by and between the Fairfax County Water Authority, doing business as "Fairfax Water," Fairfax, Virginia, (hereinafter called "Fairfax Water" or the "Authority"), and PFM Asset Management LLC, a Delaware limited liability company with an office in Harrisburg, Pennsylvania (hereinafter "PFM" or the "Consultant"), covers professional services to be provided by the Consultant and the fees to be paid by the Authority in return for the performance of these services (the "Agreement").

1. SERVICES TO BE PROVIDED

- 1.1 The work (the "Work") to be performed by the Consultant hereunder consists of assisting the Authority in the management of its investment portfolios. The services to be performed shall include, but are not necessarily limited to:
 - 1.1.1 Work with Authority staff in the selection, purchase and sale of investments in accordance with the Authority's investment policy. The Consultant will have discretionary authority over the portfolio and will place all orders for the purchase and sale of securities, coordinate security settlement with the Authority's custodian, and communicate settlement information to Authority staff after the trade has been executed.
 - 1.1.2 Actively manage the buy or sell transactions with dealers from the Consultant's approved list. The Consultant is responsible for maintaining an appropriate approved list of brokers/dealers and providing the Authority with a detailed description of the criteria used for selecting brokers/dealers.
 - 1.1.3 Monitor the Authority's portfolio in relation to the investment market to determine if investments should be repositioned.
 - 1.1.4 Provide the Authority with monthly statements of investment activity, earnings and value of the investment portfolio. All statements must include necessary data to meet GASB reporting and disclosure requirements.
 - 1.1.5 Review the composition of the Authority's portfolio to ensure that it is in conformance with the Authority's investment guidelines, investment policy, and the Code of Virginia.
 - 1.1.6 Monitor the creditworthiness of all investments and provide the Authority with detailed evaluations on significant changes in credit quality. Investment reports should include an evaluation of credit risk using the standard rating method for each security in the portfolio.
 - 1.1.7 Provide a quarterly report on the performance of the portfolio relative to the indices as stated in the investment policy.

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- 1.1.8 Periodically appear before the Finance Committee to discuss past performance and future outlook.
 - 1.19 Develop and implement appropriate investment strategies designed to maintain or enhance portfolio quality and performance within the parameters of the Authority's investment policy and cash flow needs, taking into consideration the Authority's policy objectives of maximizing the safety and return on investments.
 - 1.1.10 Brief the Authority on a quarterly basis regarding anticipated strategies for the upcoming quarter and to review at that time the portfolio performance for the preceding quarter using standard benchmarks to evaluate the performance of the portfolio.
 - 1.1.11 Review the Authority's investment policy on an annual basis to ensure compliance with the Code of Virginia.
 - 1.1.12 Provide arbitrage rebate compliance services.
 - 1.1.13 Be available in a timely manner, in person, by telephone or e-mail, for consultation or advice. Meet with and provide information to the Authority staff and the Finance and Audit Committee members as needed.
- 1.2 The Consultant shall be excluded from participating as an underwriter on any negotiated or any other competitively bid sale or issuance of bonds or other financial instruments.

2. CONTRACT TERM

The Work to be performed under this contract shall commence on the date of this Agreement and continue for one year. Fairfax Water retains the unilateral option to renew the contract annually upon the same rates, terms and conditions for up to four additional one-year periods, provided that the term of this Agreement will in no event extend beyond February __, 2022.

3. INCORPORATION BY REFERENCE

- 3.1 The following documents are incorporated into and made part of this Agreement and are listed in order of precedence:
- Fairfax Water RFP # 16-12, including all amendments thereto, and
 - PFM Proposal dated December 15, 2016.
- 3.2 Anything called for by one of the Agreement documents and not called for by the others shall be of like effect as if required or called for by all, except that a provision clearly designated to negate or alter a provision contained in one or more of the other contract documents shall have the intended effect.
- 3.3 All time limits stated in this Agreement, including by not limited to the time for completion of the work, are of the essence.

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4. FEES

The Consultant shall perform the Work described in Section 1 above for a fee as outlined in Exhibit A.

5. CONTRACT CHANGES/CHANGE ORDERS

5.1 No verbal agreement or conversation with an officer, agent or employee of the Authority either before or after the execution of this Agreement shall affect or modify any of the terms, conditions, specifications, or obligations contained in this Agreement. No alterations to the terms and conditions of the Agreement shall be valid or binding upon the Authority unless made in writing and signed by the Authority. In any event and in all circumstances, the Consultant shall be solely liable and responsible for any Agreement changes, deviations, etc., made without first receiving written authorization to deviate from the Agreement.

5.2 Changes can be made to the Agreement in any of the following ways:

5.2.1 The parties may agree in writing to modify the scope of the Agreement. An increase or decrease in the price of the Agreement resulting from such modification shall be agreed to by the parties as a part of their written agreement to modify the scope of the Agreement.

5.2.2 The Authority may order changes within the general scope of the Agreement at any time by Notice to the Consultant. Changes within the scope of the Agreement include, but are not limited to, things such as services to be performed. The Consultant shall comply with the notice upon receipt. The Consultant shall be compensated for any additional costs incurred as a result of such change order and shall give the Authority a credit for any savings. Said compensation shall be determined by one of the following methods:

5.2.2.1 By mutual agreement between the parties in writing; or

5.2.2.2 By agreeing upon a unit price or using a unit price set forth in the Agreement, if the work to be done can be expressed in units, and the Consultant accounts for the number of units of work performed, subject to the Authority's right to audit the Consultant's records and/or to determine the correct number of units independently; or

5.2.2.3 By ordering the Consultant to proceed with the work and keep a record of all costs incurred and savings realized. A markup for overhead and profit may be allowed if provided by the Agreement. The same markup shall be used for determining a decrease in price as the result of savings realized. The Consultant shall present the Authority with all vouchers and records of expenses incurred and savings realized. The Authority shall have the right to audit the records of the Consultant, as it deems necessary to determine costs or savings. Any claim for an adjustment in price under this provision must be asserted by Notice to the Purchasing Department. Neither the

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existence of a claim nor a dispute resolution process, litigation or any other provision of this Agreement shall excuse the Consultant from promptly complying with the changes ordered by the Authority or with the performance of the Agreement generally.

6. SUBCONTRACTOR SERVICES

- 6.1 In the event that services of subcontractors are required for portions of the Work, the Consultant will be responsible for contracting for these services. In such event the Consultant shall so notify the Authority in writing and identify such subcontractors that may be required. The Authority, in its sole and absolute discretion, shall have the right to determine whether subcontractors are to be used. The Authority reserves the right to reject any subcontractors proposed by the Consultant. In the event these subcontracted services are utilized, the Consultant shall obtain at least three proposals and furnish these proposals, with the Consultant's recommendation, to the Authority for its approval prior to any engagement.
- 6.2 Subcontractor fees and the payment thereof are the responsibility of the Consultant. The cost of the subcontractors' services will not alter or cause any increase in the fees outlined in Section 4 of this Agreement without the prior written consent of the Authority.

7. TERMINATION OF AGREEMENT

- 7.1 **For Cause:** In the event that the Consultant: (1) fails to perform the Work in accordance with the time period established therefore in this Agreement; or (2) fails to furnish Work which conforms in all respects to the requirements of this Agreement; then the Authority, without prejudice to any other rights or remedies it may have at law or in equity (including its right to seek damages from the Consultant), shall have the right to terminate the Agreement and any outstanding Purchase Orders by issuing a written notice of termination to the Consultant. Such notice of termination shall describe in reasonable detail the grounds for the termination and shall take effect immediately upon receipt by the Consultant.
- 7.2 If, after issuance of a notice of termination under this Section it is determined for any reason that cause for such termination did not exist, then the rights and obligations of the parties shall be the same as if the notice of termination had been delivered under the provisions of Section 7.3 (termination for convenience) hereof; provided, however, that the Consultant in such event shall be deemed to have received seven days' prior written notice of such termination. Any compensation due the Consultant pursuant to Section 7.3 shall be offset by the cost to the Authority of remedying the default by the Consultant. The Consultant shall in no event be entitled to receive any consequential damages or any anticipated profits with respect to Work not yet furnished to, and accepted by, the Authority as of the effective date of any such termination.
- 7.3 **For Convenience:** The Authority shall have the right to terminate the Agreement and/or any outstanding Purchase Orders issued hereunder at its own convenience for any reason by giving seven days' prior written notice of termination to the Consultant. In such event, the Consultant shall be paid an amount equal to the actual cost of any Work delivered to,

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and accepted by, the Authority and the actual cost of any equipment, goods or materials ordered by the Consultant hereunder in good faith which could not be canceled, less the salvage value thereof, provided sufficient substantiation is furnished to the Authority. Any subcontract entered into by the Consultant in connection with the transactions contemplated hereby shall contain a similar termination provision for the benefit of the Consultant and Authority. The Consultant shall in no event be entitled to receive anticipated profits on any Work not yet furnished to and accepted by the Authority as of the effective date of any such termination.

- 7.4 Termination by the Consultant: In the event that the Authority materially breaches this Agreement; then the Consultant, without prejudice to any other rights or remedies it may have at law or in equity (including its right to seek damages from the Authority), shall have the right to terminate the Agreement and any outstanding Purchase Orders by issuing a written notice of termination to the Authority. Such notice of termination shall describe in reasonable detail the grounds for the termination and shall take effect immediately upon receipt by the Authority.

8. THE AUTHORITY'S RESPONSIBILITIES

- 8.1 The Authority's Finance Division Director shall be the Authority's representative with respect to the services to be rendered under this Agreement. The Finance Director shall have complete authority to issue notices, transmit instructions, receive information, and interpret and define the Authority's policies and decisions with respect to the Consultant's services.
- 8.2 The Authority shall, in a timely manner, make available to the Consultant, to the extent it is in the possession of the Authority, all information pertinent to the Work, including previous reports and any other data relative to the Work.

9. INSURANCE

- 9.1 General Insurance Requirements: Before commencing the Work, the Consultant shall procure and maintain at its own expense, the minimum insurance in forms and with insurance companies acceptable to the Authority to cover loss or liability arising out of the Work. All insurance policies must be underwritten by insurers authorized to conduct business within the Commonwealth of Virginia and who have a Best's rating of at least A- and a financial size of class VIII or better in the latest edition of Best's Insurance Reports.
- 9.2 The Consultant shall immediately notify the Authority of any claim or suit made or filed against the Consultant regarding any matter resulting from or related to the Consultant's obligations under the contract. If such a claim or suit is brought, the Consultant will cooperate, assist, and consult with the Authority in the defense or investigation of any suit or action made or filed against the Authority as a result of or relating to the Consultant's performance under this Agreement.

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- 9.3 With the exception of Workers' Compensation and Employers' Liability Insurance, all additional insurance policies specified herein shall name the Authority as an additional insured with regard to work performed under this Agreement.
- 9.4 The Consultant will provide the Authority with copies of certificates of insurance coverage and proof of payment of all premiums. Each certificate of insurance must include: (a) an endorsement from the insurer that certifies that the Consultant maintains the referenced policy in full force and effect; (b) where applicable, a statement indicating that the Authority is included as an additional insured; (c) all cancellation language on certificates of insurance will follow ACORD 25 Form mandated wording; and (d) Consultant will not materially alter any of the insurance policies currently in force and will not reduce any coverage amount below the limits specified in this Agreement. Without limiting the requirements set forth above, the insurance coverages will include a minimum of:
- 9.4.1 Workers' Compensation and Employers' Liability Insurance: The Consultant will maintain Statutory Workers' Compensation and Employer's Liability Insurance as required by the Commonwealth of Virginia; and
- 9.4.2 Required Commercial General Liability Insurance: This insurance must be written on an "occurrence" basis and shall be endorsed to include the Authority as an additional insured and shall provide at a minimum the following:
- | | |
|---|-------------|
| ◆ General Aggregate Limit
(Other than Products-Completed Operations) | \$1,000,000 |
| ◆ Products-Completed Operations Aggregate Limit | \$ 500,000 |
| ◆ Personal & Advertising Injury Limit | \$ 500,000 |
| ◆ Each Occurrence Limit | \$ 500,000 |
- 9.5 Business Automobile Liability Insurance: This insurance coverage must extend to any motor vehicles or other motorized equipment regardless of whether it is hired or non-owned and must cover Bodily Injury and Property Damage with a combined single limit of at least \$1,000,000 for each accident. This insurance must be written in comprehensive form and must protect the Consultant and the Authority against claims for injuries to members of the public and/or damage to the property of others arising from the Consultant's use of motor vehicles or other equipment and must cover both on-site and off-site operations.
- 9.6 Nothing contained herein shall be deemed to operate as a waiver of the Authority's sovereign immunity under the law.

10. EMPLOYMENT DISCRIMINATION BY CONSULTANT PROHIBITED

- 10.1 During the performance of this Agreement, the Consultant agrees as follows:
- 10.1.1 The Consultant will not discriminate against any employee or applicant for employment because of race, religion, color, sex, national origin, age, disability, or other basis prohibited by state law relating to discrimination in

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employment, except where there is a bona fide occupational qualification reasonably necessary to the normal operation of the Consultant. The Consultant agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.

10.1.2 The Consultant, in all solicitations or advertisements for employees placed by or on behalf of the Consultant, will state that such Consultant is an equal opportunity employer.

10.1.3 Notices, advertisements and solicitations placed in accordance with federal law, rule or regulation shall be deemed sufficient for meeting the requirements of this section.

10.2 The Consultant will include the provisions of the foregoing paragraphs 10.1.1, 10.1.2, and 10.1.3 in every subcontract or purchase order of over \$10,000, so that the provisions will be binding upon each subcontractor or vendor.

11. CONTRACTUAL DISPUTES

Contractual claims, whether for money or for other relief, shall be submitted in writing not later than 6 months after final payment; provided however, that written notice of the Consultant's intention to file such claim must:

Be delivered to the attention of the Authority's Procurement Representative assigned to this Agreement at 8570 Executive Park Avenue, Fairfax, Virginia 22031 not later than 60 days after the occurrence or of the beginning of the Work upon which the claim is based; and

Contain a reasonably detailed description of the basis of the claim otherwise the claim will be deemed to have been waived. The Authority will make a written decision upon any such claim within 60 days after submittal of the claim. The Consultant may not institute legal action prior to receipt of the Authority's decision on the claim unless the Authority fails to render such decision within 90 days after submittal of the claim. The decision of the Authority will be final, unless the Consultant initiates legal action as provided in Section 2.2-4364 of the Code of Virginia. Failure of the Authority to render a decision within 90 days will not result in the Consultant being awarded the relief claimed, nor will it result in any other relief or penalty. The sole result of the Authority's failure to render a decision within the time allotted shall be the Consultant's right to immediately institute legal action. No administrative appeals procedure pursuant to Section 2.2-4365 of the Code of Virginia has been established for contractual claims under this Agreement.

No claim of any nature will be made against the Authority by or on behalf of a subcontractor unless the Consultant has first: (a) evaluated such claim thoroughly and determined it to be meritorious; (b) issued a written notice to the subcontractor finding the subcontractor's claim to be meritorious and setting forth any additional compensation or additional days to be paid or granted to the subcontractor on account of such claim; and (c) paid the subcontractor in full for such claim. In presenting such a claim, the Consultant will provide the Authority with a copy

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of the written notice to the subcontractor and with evidence of payment in full of the subcontractor's claim. No such claim will exceed the amount actually paid to the subcontractor.

12. ASSIGNMENT OF INTEREST

The Consultant shall not assign any interest in this Agreement without prior written consent of the Authority, which the Authority shall be under no obligation to grant.

13. EXAMINATION OF RECORDS

The Authority and its authorized representatives, during regular business hours, shall have access to and the right to examine and copy any directly pertinent books, documents, papers, and records of the Consultant involving transactions related to this Agreement. This obligation shall expire five years after the final payment for the final service performed this Agreement, or until audited by the Authority, whichever is sooner. Consultant will provide reasonable access to any and all necessary documents and upon demand provide copies of documents if so required by the Authority or its representatives(s). The Authority will reimburse the Consultant for any reasonable expenses it incurs as a result of such a request.

14. PAYMENT

14.1 Invoices: All invoices are to be sent directly to the Authority's Accounts Payable department by mail, fax or e-mail. Invoices shall include the Authority's Purchase Order/Contract number and the Consultant's Federal Employer Identification Number (FEIN). Invoices are not to be sent to the contract project manager, or other departmental reps. Failure to comply may result in late payments for which the Authority will not be liable.

14.2 Terms: All payments will be Net 30 from the date of receipt of a valid invoice at the Authority Finance Department. Payment terms requiring payment in less than 30 days will be regarded as requiring payment 30 days after invoice or delivery, whichever occurs last. This shall not affect offers of discounts for payment in less than 30 days, however.

14.3 Unreasonable Charges: Under certain emergency procurements and for most time and material purchases, final job costs cannot be accurately determined at the time orders are placed. In such cases, final payment is contingent on a determination of reasonableness with respect to all invoiced charges. Charges that appear to be unreasonable will be researched and challenged, and that portion of the invoice held in abeyance until a settlement can be reached. Upon determining that invoiced charges are not reasonable, the Authority shall promptly notify the Consultant, in writing, as to those charges that it considers unreasonable and the basis for the determination.

14.4 Availability of Funds – It is understood and agreed between the parties herein that the Authority shall be bound hereunder only to the extent of the funds available or which may hereafter become available for the purpose of this Agreement. The Authority shall promptly notify the Contractor in writing of any unavailability of funds.

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15. PAYMENT CLAUSES REQUIRED IN ALL CONTRACTS

15.1 Payments to Subcontractors

15.1.1 The Consultant shall take one of the two following actions within seven days after receipt of amounts paid to the Consultant by the Authority for work performed by any subcontractor(s) under the contract:

15.1.1.1 The Consultant shall pay its subcontractor(s) for the proportionate share of the total payment received from the Authority attributable to the work performed by the subcontractor under that contract; or

15.1.1.2 Notify the Authority and any subcontractor(s), in writing, of its intention to withhold all or a part of the subcontractor's payment with the reason for nonpayment.

15.1.2 The Consultant shall pay interest to the subcontractor(s) on all amounts owed by the Consultant that remain unpaid after seven days following receipt by the Consultant of payment from the Authority for work performed by the subcontractor under the contract, except for amounts withheld as allowed in Section 15.1.1.2.

15.1.3 Interest shall accrue at the rate of one percent per month.

15.2 The Consultant shall include in each of its subcontracts a provision requiring each subcontractor to include or otherwise be subject to the same payment and interest requirements with respect to each lower-tier subcontractor.

15.3 The Consultant's obligation to pay an interest charge to a subcontractor pursuant to the payment clause in this section shall not be construed to be an obligation of the Authority. A contract modification shall not be made for the purpose of providing reimbursement for the interest charge. A cost reimbursement claim shall not include any amount for reimbursement for the interest charge.

16. INDEMNIFICATION AND RESPONSIBILITY FOR CLAIMS AND LIABILITY

16.1 The Consultant shall indemnify, save harmless and defend the Authority, or any employee of the Authority, against liability for any suits, actions, or claims of any character whatsoever arising from or relating to the negligent or intentionally wrongful performance of the Consultant or its subcontractors under this contract.

16.2 The Authority has no obligation to provide legal counsel or defense, or pay attorney's fees to the Consultant or its subcontractors in the event that a suit or action of any character is brought by any person not party to the Agreement, against the Consultant or its subcontractors as a result of or relating to the Consultant's obligations under this Agreement.

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- 16.3 The Authority has no obligation for the payment of any judgments or the settlement of any claims against the Consultant or its subcontractors as a result of our relating to the Consultant's obligations under this Agreement.
- 16.4 The Consultant shall immediately notify the Authority of any claim or suit made or filed against the Consultant or its subcontractors regarding any matter resulting from or related to the Consultant's obligations under this Agreement. If such a claim or suit is brought, the Consultant will cooperate, assist, and consult with the Authority in the defense or investigation of any suit or action made or filed against the Authority as a result of or relating to the Consultant's performance under this Agreement.
- 16.5 The Consultant shall pay all royalties and license fees necessary for performance of the contract. The Consultant shall defend all suits or claims for infringement of any patent rights or other proprietary rights arising from or related to performance of the resulting contract and shall save the Authority harmless from any and all loss, including Attorneys' fees arising out of any such claim.

17. PARTIAL INVALIDITY

Neither any payment for, nor acceptance of, the whole or any part of the Work by the Authority, nor any extension of time, shall operate as a waiver of any provision of this Agreement, nor of any power herein reserved to the Authority, or any right to damages herein provided, nor shall any waiver of any breach of this Agreement be held to be a waiver of any other or subsequent breach. Failure of the Authority to require compliance with any term or condition of the Agreement shall not be deemed a waiver of such term or condition or a waiver of the subsequent enforcement thereof.

18. RIDER CLAUSE

Subject to mutual agreement between the parties, this Agreement may be used by any public entity (to include jurisdictions comprising the Metropolitan Washington Council of Governments), to enter into a contract for services described and defined herein. For single purchases, the contract may be used for up to 12 months from the actual date of this Agreement. For multi-year contracts, the contract may be used throughout the effective period of the Agreement. Any contracts awarded will be subject to these terms and conditions, and/or such terms and conditions as may be required by the controlling body for the public agency using the contract. Pricing shall be consistent with the pricing for this Agreement.

19. GOVERNING LAW

This Agreement shall be construed and performed in accordance with the laws of the Commonwealth of Virginia, without reference to conflict of laws principles. Any dispute arising hereunder which is not otherwise resolved by the parties shall be resolved by a court of competent jurisdiction in the Commonwealth of Virginia. The Consultant and the Authority hereby waive any right such party may have to a trial by jury in connection with any such litigation.

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20. ANTITRUST

By entering into this Agreement, the Consultant hereby conveys, sells, assigns, and transfers to the Authority all rights, title and interest in and to all causes of action it may not have or hereafter acquire under the antitrust laws of the United States and the Commonwealth of Virginia, relating to the particular goods or services purchased or acquired by the Authority.

21. NOTICES

Any notice or other communication permitted or required to be given under this Agreement shall be in writing and shall be (a) delivered in person, (b) mailed, by certified mail, return receipt requested, postage prepaid, (c) sent by recognized overnight courier, or (d) transmitted by E-mail (with a duplicate copy transmitted by another authorized means of delivery hereunder), to the following unless and until either party notifies the other in accordance with this Section of a change of address:

If to Fairfax Water:

Fairfax Water
8570 Executive Park Avenue
Fairfax, Virginia 22031
Attn.: Michele Moore,
Director, Finance Division
mmoore@fairfaxwater.org

If to the Consultant:

PFM Asset Management LLC
1735 Market Street
43rd Floor
Philadelphia, PA 19103
Attn.: Controller

22. CONSULTANT'S REPRESENTATIONS, WARRANTIES AND COVENANTS

22.1 The Consultant hereby represents it is a registered investment advisor under the Investment Advisers Act of 1940, as amended. The Consultant shall immediately notify the Authority if at any time during the term of this Agreement it is not so registered or if its registration is suspended. The Consultant agrees to perform its duties and responsibilities under this Agreement with reasonable care. The federal securities laws impose liabilities under certain circumstances on persons who act in good faith. Nothing herein shall in any way constitute a waiver or limitation of any rights which the Authority may have under any federal securities laws.

22.2 The Consultant shall promptly give notice to the Authority if the Consultant shall have been found to have violated any state or federal securities law or regulation in any final and unappealable judgment in any criminal action or civil suit in any state or federal court or in any disciplinary proceeding before the Securities and Exchange Commission ("SEC") or any other agency or department of the United States, any registered securities exchange, the Financial Industry Regulatory Authority, or any regulatory authority of any State based upon the performance of services as an investment Consultant.

22.3 The Consultant warrants that it has delivered to the Authority prior to the execution of this Agreement the Consultant's current SEC Form ADV, Part 2A (brochure) and Part 2B (brochure supplement). The Authority acknowledges receipt of such brochure and brochure supplement prior to the execution of this Agreement.

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23. CERTAIN STATUTORILY-REQUIRED PROVISIONS

- 23.1 Nondiscrimination by Authority. The Authority hereby represents and warrants that it does not discriminate against faith-based organizations.
- 23.2 No Employment of Unauthorized Aliens. The Consultant hereby covenants and agrees that it does not, and shall not during the term of this Agreement, knowingly employ an unauthorized alien (as such term is defined in the federal Immigration Reform and Control Act of 1986).
- 23.3 Authorization to Transact Business in Virginia. The Consultant hereby represents and warrants as follows: (a) it is authorized to transact business in the Commonwealth of Virginia as a domestic or foreign business entity if so required by Title 13.1 or Title 50 of the Virginia Code, or as otherwise required by law; (b) it is qualified to business in the Commonwealth of Virginia and will take such action as, from time to time hereafter, may be necessary to remain so qualified; (c) it is not in arrears with respect to the payment of any monies due and owing the Authority, the Commonwealth of Virginia, or any department or unit thereof, including but not limited to the payment of taxes and employee benefits, and that it shall not become so in arrears during the term of this Agreement; (d) it shall comply with all federal, State and local laws, regulations, and ordinances applicable to its activities and obligations under this Agreement; and (e) it shall obtain at its expense, all licenses, permits, insurance, and governmental approval, if any, necessary to the performance of its obligations under this Agreement.
- 23.4 Drug-Free Workplace. During the performance of this Agreement, the Consultant agrees to: (i) provide a drug-free workplace for the Consultant's employees; (ii) post in conspicuous places, available to employees and applicants for employment, a statement notifying employees that the unlawful manufacture, sale, distribution, dispensation, possession, or use of a controlled substance or marijuana is prohibited in the Consultant's workplace and specifying the actions that will be taken against employees for violations of such prohibition; (iii) state in all solicitations or advertisements for employees placed by or on behalf of the Consultant that the Consultant maintains a drug-free workplace; and (iv) include the provisions of the foregoing clauses in every subcontract or purchase order of over \$10,000, so that the provisions will be binding upon each subcontractor or vendor.

24. GENERAL

- 24.1 The Authority acknowledges that the Consultant performs investment advisory services for various other clients that may include investment companies and/or commingled trust funds. The Authority agrees that the Consultant may give advice or take action with respect to any of its other clients which may differ from advice given, or the timing or nature of action taken with respect to the Authority's account. The Consultant shall not have any obligation to purchase, sell or exchange for the Authority any security that the Consultant, its principals, affiliates, or employees may purchase, sell or exchange for the account of any other client, or for itself, or its own accounts if, in the Consultant's opinion,


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such transaction or investment appears to be unsuitable, impractical or undesirable for the Authority's account.

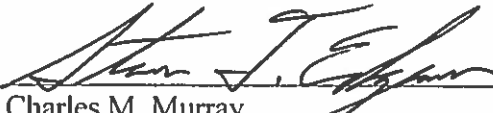
- 24.2 The Authority hereby authorizes the Consultant to sign I.R.S. Form W-9 on behalf of the Authority and to deliver such form to broker-dealers or others from time to time as required in connection with securities transactions pursuant to this Agreement.
- 24.3 The parties' duly authorized representatives hereto shall legally bind the parties by the terms hereof upon execution of this Agreement. The Consultant shall signify its acceptance of this Agreement by executing and returning three copies hereof and delivering them to the Authority.
- 24.4 The Consultant, its employees, officers and representatives, shall not be deemed to be employees, agents (except as to the purchases or sale of securities described in subsection 1.1.1. above), partners, servants, and/or joint ventures of the Authority by virtue of this Agreement or any actions or services rendered under this Agreement.
- 24.5 The Consultant shall have no liability for any losses arising out of the delays in performing or inability to perform the services which it renders under this Agreement which result from events beyond its control, including interruption of the business activities of the Consultant or other financial institutions due to acts of God, acts of governmental authority, acts of war, terrorism, civil insurrection, riots, labor difficulties, or any action or inaction of any carrier or utility, or mechanical or other malfunction.

IN WITNESS WHEREOF, the parties hereto have made and executed this Agreement as of the day and year first above written.

PFM ASSET MANAGEMENT LLC

By: 
Barbara L. Fava
Managing Director

FAIRFAX COUNTY WATER AUTHORITY

By: 
Charles M. Murray
General Manager
ACTING

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EXHIBIT A

CONTRACT FEES

1. INVESTMENT MANAGEMENT FEES

- 1.1 Standard Fixed Fee - The Consultant shall receive an annual fee equal based on the asset size of the portfolio as follows:

<u>Assets</u>	<u>Annual Fee as a % of Assets</u>
First \$25 million	0.100%
Next \$25 million	0.080%
Next \$50 million	0.070%
Over \$100 million	0.065%

This fee will be applied to the combined average daily net assets of all Fairfax Water portfolios under management by the Consultant and billed in monthly installments. If the Consultant's management of the portfolio begins at any time other than the start of a month, then the fee for that period shall be prorated on the basis of the portion of the month during which this agreement is in force. A minimum annual relationship management fee of \$25,000 will apply.

- 1.2 Exclusions - Amounts deposited in an investment agreement, bank money market fund, Virginia Local Government Investment Pool or sweep account, if any, shall not be included in calculating the average daily net assets which are subject to said management fee. However, if assets are invested in a money market mutual fund or in a local government investment pool for which the Consultant serves as the administrator or investment manager, the Consultant would receive fees as described in the fund's prospectus or the pool's information statement.

2. Arbitrage Rebate Calculation Services

Fees for rebate calculation services shall be based on the complexity of the bond issue according to the following fee schedule.

<u>Base Fees</u>	<u>Fee</u>
▪ Engagement Fee (one-time fee, per issue)	\$500
▪ Report Fee (per report)	\$2,000

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<u>Additional Fees (Per report, as appropriate)</u>	<u>Fee</u>
▪ Variable Rate Issue	+\$1,000
▪ Transferred Proceeds Analysis	+\$1,000
▪ Commingled Funds Analysis	+\$1,000
▪ Yield Restriction Analysis	+\$1,000
▪ Cash Flow Recreation/Incomplete Records	+\$1,000
▪ Final or 5th Year Report	+\$500
▪ Computation Periods in Excess of 12 Months (per additional year or fraction thereof)	+\$500
▪ Preparation of Late Payment Explanation, if necessary	+\$500