

**Metro****FINANCE AND BUDGET COMMITTEE  
JANUARY 16, 2008****SUBJECT: FINANCIAL ADVISORY SERVICES****ACTION: AMEND CONTRACT PS-35210-10****RECOMMENDATION**

Authorize the Chief Executive Officer to execute contract Amendment No. 2 to Contract No. **PS-035210-10** with Public Financial Management (PFM) to provide financial advisory services in an amount not to exceed \$100,000 increasing the total contract value from \$1,940,365 to \$2,040,365.

**RATIONALE**

In order to utilize interest rate swaps on two upcoming bond refunding transactions, we need the services of PFM as our swap advisor. The swap advisory services provide critical analysis and input for our swap structuring decisions, the solicitation of swap bids and negotiation of terms with the counterparties. By utilizing interest rate swaps as opposed to traditional fixed rate refunding bonds, we anticipate that we will generate an additional \$10 million of debt service savings.

**Background**

Under a retainer arrangement PFM provides various financial advisory services, mostly related to the issuance and management of our bond financings. While most of the work falls under the retainer, high value work that is not able to be planned in advance is additional and handled on a task order basis. As the result of executing a number of refundings, the task order authority has been nearly consumed and is not sufficient to cover the currently anticipated swap advisory work.

PFM is in the final year of its 5-year contract which expires on July 31, 2008. Previously, a \$100,000 amendment was executed under CEO authority.

**FINANCIAL IMPACT**

The funding of \$100,000 for amendment is included in the FY08 budget in cost center 0521, Non-Departmental-Treasury, under project 610308, Other (Debt Overhead), and line item 50316, Professional & Technical Services. In FY07, \$376,369 was expended on financial advisory services.

**ALTERNATIVES CONSIDERED**

The advisory services could be solicited from other firms. However, we currently receive highly competent swap advisory services from PFM at an attractive price due to the existing retainer relationship. Additionally, a solicitation could delay getting the advisor on board,

possibly impacting the schedule for the financing and thereby increasing the risk that interest rates move adversely, reducing the projected savings.


### **NEXT STEPS**

- Utilize PFM as swap advisor for the upcoming refundings of the Prop C 1998-A bonds, Prop A 1999-A&B bonds.

### **ATTACHMENT**

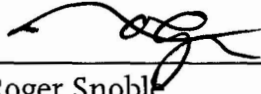
1. Procurement Summary

Prepared by: Michael J. Smith, Assistant Treasurer



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Terry Matsumoto  
Chief Financial Services Officer and Treasurer



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Roger Snoble  
Chief Executive Officer

**BOARD REPORT ATTACHMENT A  
PROCUREMENT SUMMARY**

**FINANCIAL ADVISORY SERVICES**

1.	Contract Number: PS-03-5210-10		
2.	Recommended Vendor(s): Public Financial Management (PFM)		
3.	Cost/Price Analysis Information:		
	Proposed Price: \$100,000	Recommended Price: \$100,000	
	B. Details of Significant Variances are in Attachment A-1.D.		
4.	Contract Type: Fixed Annual Retainer with task orders		
5.	Procurement Dates:		
	A. Issued: N/A		
	B. Advertised: N/A		
	C. Pre-proposal Conference: N/A		
	D. Proposals Due: N/A		
	E. Pre-Qualification Completed: N/A		
	F. Conflict of Interest Form Submitted to Ethics: N/A		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: No goal recommended	Date Small Business Evaluation Completed: N/A	
	Small Business Commitment: 0%		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: N/A	Bids/Proposals Picked up: N/A	Bids/Proposals Received: N/A
8.	Evaluation Information:		
	A. <u>Bidders/Proposers Names:</u>  PUBLIC FINANCIAL MANAGEMENT	<u>Bid/Proposal Amount **:</u>  \$100,000	<u>Best and Final Offer Amount:</u>
	B. Evaluation Methodology: N/A		
9.	Protest Information:		
	A. Protest Period End Date: N/A		
	B. Protest Receipt Date: N/A		
	C. Disposition of Protest Date: N/A		
10.	Contract Administrator: Linda Wasley	Telephone Number:922-4186	
11.	Project Manager: Mike Smith	Telephone Number: 922-4042	

**BOARD REPORT ATTACHMENT A-1  
PROCUREMENT HISTORY  
FINANCIAL ADVISORY SERVICES**

A. Background on contractor

Public Financial Management (PFM) is a national financial consulting firm that works almost exclusively with state and local governments. PFM is headquartered in Philadelphia, PA and has 21 offices throughout the United States, including 3 offices in California (Newport Beach, San Francisco, and Sacramento). PFM has extensive experience working with us and other California and national transportation agencies, which includes Metrolink, San Diego Association of Governments, San Francisco County Transportation Authority, Metropolitan Transportation Commission, San Francisco Bay Area Rapid Transit District, Alameda Corridor Transportation Authority and others. PFM was awarded Contract No. PS-03-5210-10 as a result of a competitive selection process in July 2003. They have provided us with satisfactory services.

B. Procurement background

This is a request for \$100,000 additional funds for Task Orders.

The Diversity & Economic Opportunity Department (DEOD) did not recommend a Small Business Enterprise (SBE) participation goal for this procurement.

C. Evaluation of proposals

The original procurement was conducted under our procurement policies and procedures. Public Financial Management met the criteria with the highest technical score and had provided satisfactory service under the resulting contract.

D. Cost/price analysis explanation

The original procurement requested retainers of \$1,527,270 and \$313,095 for task orders for the five year contract. \$100,000 was added in July, 2005 under CEO authority. The \$100,000 additional funds for task orders is in line with procedures and pricing for multiple task orders established in the original procurement. Each task order is carefully outlined by the Project Manager and pricing on each task order is deemed fair and reasonable prior to beginning the work. This contract expires July 31, 2008.

**BOARD REPORT ATTACHMENT A-2**  
**LIST OF SUBCONTRACTORS**

**PRIME CONTRACTOR – Public Financial Management**

Small Business Subcontractor

Other Subcontractors

None

None

Total Commitment

No goal recommended