



Metro

Metropolitan Transportation Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

213.922.2000 Tel
metro.net

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**FINANCE AND BUDGET COMMITTEE
JUNE 18, 2008**

**SUBJECT: PSFY09052101 FINANCIAL ADVISORY SERVICES
PUBLIC FINANCIAL MANAGEMENT**

ACTION: AWARD CONTRACT

RECOMMENDATION

Authorize the Chief Executive Officer to:

- A. Award a five-year firm, fixed retainer type contract, Contract No. PSFY09052101, to Public Financial Management for financial advisory services for retainer and task order services plus out of pocket expenses for a contract total of \$1,935,000, inclusive of two one-year options, effective August 1, 2008; and
- B. Execute future contract modifications to Contract No. PSFY09052101 up to an amount not to exceed \$193,500 for unanticipated work.

RATIONALE

We require the services of a financial advisor to assist with the issuance and management of our bonds and lease financing, and to assist with the investment of related balances. We have about \$3.6 billion in bonds outstanding in 35 issues. Additionally, we have nine defeased lease transactions and several equipment leases, totaling about \$800 million plus seven interest rate swaps with a notional amount totaling about \$900 million. The financial advisor additionally assists in monitoring and advising on the investment of the cash balances related to the financings. Investments are primarily related to the approximately \$360 million in debt service that flows through the bond issues each year and our \$100 million of debt service reserve balances. The annual retainer covers all debt advisory work and certain periodic tasks related to managing the investments and interest rates swaps. Other ad hoc investment tasks, such as overseeing the selection and documentation process to implement structured finance products and interest rate swaps will be authorized and paid on a task order basis. The contract provides that up to \$65,000 per year is available to fund a combination of task order work and out of pocket expenses.

FINANCIAL IMPACT

The funding of \$450,000 for this service is included in the FY09 budget in cost center 0521, Non-Departmental Treasury, under project 610308, Other Debt Costs Overhead. Since this

is a multi-year contract, the cost center manager and Chief Financial Services Officer and Treasurer will be accountable for budgeting the cost in future years, including any option exercised. In FY08, \$384,000 was expended on financial advisory services.

ALTERNATIVES CONSIDERED

An alternative would be to develop in-house staff resources to meet these requirements. This alternative is not recommended because external financial advisors deal with the specific technical, qualitative and quantitative matters of the financial market place on a daily basis so it is not practical to maintain this expertise in-house.

Another alternative would be to separately procure advisory services as needs arise. This alternative is not recommended because our large program has regular needs for these services and it would not be efficient to do individual procurements on a regular basis.

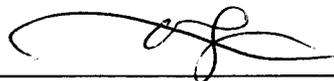
ATTACHMENT

1. Procurement Summary

Prepared by: Michael J. Smith, Assistant Treasurer



Terry Matsumoto
Chief Financial Services Officer and Treasurer



Roger Snoble
Chief Executive Officer

**BOARD REPORT ATTACHMENT A
PROCUREMENT SUMMARY
PSFY09052101 FINANCIAL ADVISORY SERVICES**

1.	Contract Number: PSFY09052101		
2.	Recommended Vendor: Public Financial Management (PFM)		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: \$1,934,542	Recommended Price: \$1,934,542	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Firm, fixed annual retainer		
5.	Procurement Dates:		
	A. Issued: 3/26/08		
	B. Advertised: 4/07/08		
	C. Pre-proposal Conference: N/A		
	D. Proposals Due: 4/24/08		
	E. Pre-Qualification Completed: 5/15/08		
	F. Conflict of Interest Form Submitted to Ethics: 5/16/08		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: 0%	Date Small Business Evaluation Completed: N/A	
	Small Business Commitment: 0% Details are in Attachment A-2		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: 8	Bids/Proposals Picked up: 10	Bids/Proposals Received: 2
8.	Evaluation Information:		
	A. Bidders/Proposers Names:	<u>Bid/Proposal Amount:</u>	<u>Best and Final Offer Amount:</u>
	Sperry Capital Management	\$1,349,088	\$1,349,088
	Public Financial Management	\$1,934,542	\$1,934,542
	B. Evaluation Methodology: Explicit Factors		
9.	Protest Information:		
	A. Protest Period End Date: 6/24/08		
	B. Protest Receipt Date: TBD		
	C. Disposition of Protest Date: TBD		
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**

PSFY09052101 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 32 offices throughout the United States, including four offices in California (Los Angeles, Newport Beach, San Francisco, and Oakland). PFM has extensive experience 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 PS-03-5210-10 which ends on August 31, 2008, as a result of a competitive selection process. They have provided satisfactory services.

B. Procurement Background

The procurement was a standard Request for Proposals and recommendation for award of contract is being made to the proposer with the highest score using the explicit factors methodology.

The Diversity and Economic Opportunity Department (DEOD) did not recommend a DBE Voluntary Anticipated Level of Participation (VALP) goal for this procurement due to lack of sub-contracting opportunities.

C. Evaluation of Proposals

In accordance with Procurement Policies, the Source Selection Committee (SSC) conducted a comprehensive evaluation of the two proposals received from Public Financial Management and Sperry Capital Management based on the evaluation criteria as stated in the RFP. Weighted factors included (in order of importance) skills, credentials and availability of proposers staff assigned to our account, overall experience and skills of the firm, and price proposed. PFM was determined to provide the best value, when all factors were considered.

D. Cost/Price Analysis

The proposed amount of \$1,934,542 is considered to be fair and reasonable based on price analysis, comparison of proposed price with historical cost information and the experience of the firm and staff to be assigned to the our account. The contract total value is computed using the annual firm, fixed retainer and task order not-to-exceed amount as shown in the following table:

<u>Description</u>	<u>Public Financial Management, Inc. Fixed Retainer</u>	<u>Task Order Work and Expenses</u>	<u>Contract Value</u>
Year 1	\$315,000	\$65,000	\$380,000
Year 2	\$315,000	\$65,000	\$760,000
Year 3	\$315,000	\$65,000	\$1,140,000
Year 4, 1 st Option Yr	\$324,450	\$66,950	\$1,531,400
Year 5, 2 nd Option Yr	\$334,184	\$68,958	\$1,934,542
	<u>\$1,603,634</u>	<u>\$330,908</u>	

Although PFM's proposed price is higher price than the other competitor, the SSC found that the depth of their knowledge, larger pool of available qualified personnel, and their ability to respond to deadlines and opportunities in an efficient and effective manner more than makes up for this price differential.

BOARD REPORT ATTACHMENT A-2
LIST OF SUBCONTRACTORS

PSFY09052101 FINANCIAL ADVISORY SERVICES

PRIME CONTRACTOR

Public Financial Management

Small Business Commitment

Other Subcontractors

0%

None

Total Commitment 0% No goal recommended.

