



Metropolitan  
Transportation  
Authority

**SUBJECT: FINANCIAL ADVISORY SERVICES**

**ACTION: CONTRACT AWARD FOR FINANCIAL ADVISORY SERVICES, NO. PS-5210-0631, TO PUBLIC FINANCIAL MANAGEMENT**

One Gateway Plaza  
Los Angeles, CA  
90012-2952

**RECOMMENDATION**

Authorize the Chief Executive Officer to execute a contract with Public Financial Management for financial advisory services for a period of three years in an amount of \$250,000 retainer fee per year for each of the three contract years. plus additional task order-based services and annual expenses in an amount not to exceed \$55,000 per year, for a total base contract amount of \$750,000 and a not-to-exceed total of \$165,000 for expenses and additional services, for a total contract amount of \$915,000.

**RATIONALE**

The financial capital markets are complex and dynamic. Although the MTA is an active participant in the municipal capital markets, its core business is transportation, not finance. A financial advisory firm has the staff and resources to keep abreast of the rapidly changing markets on a full time basis. Therefore, contracting out these services is the more cost effective method.

**FINANCIAL IMPACT**

Funding of \$450,000 for this service is included in the FY00 budget in cost center 5210, Treasury, under project number 610308, General Debt Service. Since this is a multi-year contract the cost center manager and Executive Officer, Finance and Treasurer will be accountable for budgeting the cost in future years. In FY99, \$400,000 was expended on this line item.

**ALTERNATIVES CONSIDERED**

Alternatives considered but not recommended include:

1. Develop and retain this expertise in-house. This alternative is not recommended because the MTA core business is transportation, not finance.
2. Procure these services on an as-needed basis. While this approach might be suitable for an entity that has infrequent significant non-recurring transactions,

this alternative is not recommended due to the large amount of MTA debt outstanding that has to be managed on a day-to-day basis and the learning curve costs of constantly changing advisors.

## **BACKGROUND**

The MTA currently has 30 debt issues outstanding that have a current outstanding par value of about \$3.5 billion. The debt portfolio consists of sales tax revenue bonds, lease revenue bonds, certificates of participation, benefit assessment district bonds, and taxable and tax-exempt commercial paper programs. The MTA additionally has two outstanding cross-border leases involving bus and rail vehicles and a domestic leverage lease of rail vehicles. Other instruments requiring ongoing management include two interest rate swaps (\$300 million), two stand-by bond purchase agreements (\$300 million) and two letters of credit (\$450 million). The financial advisor plays a key role in the management of the MTA's complex capital structure by staying abreast of the dynamic market place, including changing regulations and trends.

The recommended firm, Public Financial Management, has a staff of 190 located in 19 offices across the country. Their client list includes transportation agencies such as the Arizona Department of Transportation, Dallas Area Rapid Transit, Georgia Department of Transportation, Maryland Department of Transportation, Michigan Department of Transportation and Washington Metro Area Transit Authority. Other notable PFM clients are the City of New York, City and County of San Francisco, City of Long Beach, City of Anaheim and the County of San Bernardino. PFM previously served as financial advisor to the MTA from 1993 through 1996 and to the Los Angeles County Transportation Commission from 1984 through 1990.

## **PROCUREMENT SUMMARY**

On December 16, 1998, MTA issued a Request for Proposal for the solicitation of Financial Advisory Services. On January 7, 2000, MTA received responses from three (3) interested firms: Public Resources Advisory Group, Public Financial Management and Evensen Dodge, Inc. A Source Selection Committee reviewed and evaluated each of the proposals. The proposals were evaluated based upon the general experience of the firm and its professional staff, price and recommended strategies to improve MTA's capital and debt structure.

On January 14, 2000, the Source Selection Committee interviewed Public Resources Advisory Group and Public Financial Management, the two highest ranked firms. Evensen Dodge, Inc. was not interviewed as its proposal did not fall within the competitive range. A subsequent evaluation resulted in staff recommending contract award to Public Financial Management.

## COST/PRICE ANALYSIS

	<b>PROPOSED ANNUAL PRICE</b>	<b>RECOMMENDED ANNUAL PRICE</b>	<b>HISTORICAL ANNUAL PRICE</b>
<b>Retainer Fees</b>	<b>\$250,000</b>	<b>\$250,000</b>	
<b>Task Order Services</b>	<b>\$ 55,000</b>	<b>\$ 55,000</b>	
<b>Total</b>	<b>\$305,000</b>	<b>\$305,000</b>	<b>\$400,000</b>
		<b>PRICE VARIANCE</b>	<b>\$ 95,000</b>

The recommended price of \$250,000 for retainer fees has been determined to be fair and reasonable based upon fact finding, clarification and adequate price competition. There were three proposals that met MTA's requirements and the contract is being awarded to the consultant with the lowest price retainer fees. The not to exceed amount of \$55,000 per year will cover expenses and required task order services. Additional services will be negotiated on a task order basis. In addition, the recommended price is lower than MTA's Fair Cost Estimate. The recommended price results in a reduction of \$95,000 per year from MTA's historical price.

## SMALL BUSINESS PARTICIPATION

MTA's Contract Compliance Unit waived the Small Business Enterprise goal for this procurement based on the lack of identifiable subcontracting opportunities, as this project involves financial advisors to provide analysis, consultation and support for all financial and related matters affecting finances of the MTA. As such, peripheral or ancillary work is not involved. Based on industry practices it is expected that the Prime Contractor will provide all the products with minimal, if any, subcontracting. However, pursuant to the SBE Program, if the awardee utilizes the services of subcontractors, the awardee is expected to afford maximum opportunities to SBE firms in all subcontractor and supply service areas. Upon MTA's request, awardee is required to submit documentation to satisfy MTA that good faith efforts were made to utilize SBE firms throughout the life of the contract.

## ATTACHMENT(S)

### A. Procurement Summary

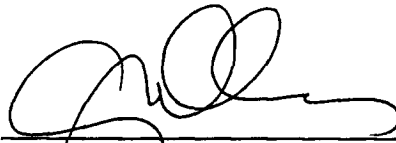
Prepared by: Michael J. Smith  
Debt Manager

Käto Cooks  
Senior Contract Administrator




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Terry Matsumoto  
Executive Officer, Finance and Treasurer



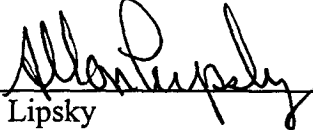
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Gwendolyn W. Williams  
Interim Executive Officer, Procurement



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Richard Brumbaugh  
Chief Financial Officer

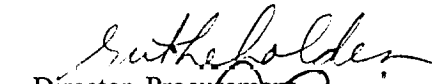


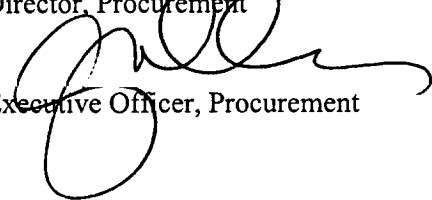
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Allan G. Lipsky  
Office of the Chief Executive Officer

**ATTACHMENT "A"**  
**PROCUREMENT SUMMARY**  
**MONTHLY RETAINER WITH TASK ORDER-BASED NEGOTIATED SERVICES**

1.	Independent Estimate:	\$319,549
2.	Recommended Vendor: Public Financial Management Total Dollar Amount:	\$250,000
3.	Description of Equipment or Material:	N/A
4.	Issued and Advertised:	December 16, 1999
5.	SBE Participation Goal? Responsive?	No: Waived N/A
6.	No. of RFP notifications sent (postcards):	None
7.	No. of RFPs Picked up by Vendors:	40
8.	Pre-Proposal Conference:	December 22, 1999
9.	Date proposals opened:	January 7, 2000
10.	No. of proposals received:	3
11.	Firms in competitive range: Public Financial Management Public Resources Advisory Group Firm not in competitive range Evensen Dodge, Inc.	
	Tech Analysis-Responsiveness	Yes
12.	Protest Received: Disposition of Protest/Appeal:	None N/A
13.	Award to Other than Lowest Price	No
14.	Conflict of Interest form submitted to Ethics?	Yes
15.	EO Evaluation Completed:	Yes
16.	Pre-Qualification Completed?	Yes
17.	Audit Report Status:	Pending
18.	Contract Administrator: Kato Cooks	213.922.2126
19.	Project Manager: Michael Smith	213.922.4204

Concur:   
 Director, Procurement

Concur:   
 Executive Officer, Procurement