



**REVISED**  
**FINANCE, BUDGET AND AUDIT COMMITTEE**  
**JULY 17, 2013**

**SUBJECT: FINANCIAL ADVISORS**

**ACTION: APPROVE BENCH CONTRACTS**

**RECOMMENDATION**

Authorize the Chief Executive Officer to establish a bench of financial advisors with each of the recommended firms in two categories as follows:

Lead - KNN Public Finance, Montague DeRose, Public Financial Management

Projects – Backstrom McCarley Berry & Co., Fieldman Rolapp & Associates, Lamont Financial Services Corporation, Mazyck Advisors LLC and NW Financial LLC, Public Resources Advisory Group, Sperry Capital

These contracts will be for six years inclusive of two one-year options for a total amount not to exceed \$5,300,000.

The Lead firms will rotate each two years, e.g., one year plus one year option, over the term of the bench on a retainer basis. Projects will be assigned on a task order basis.

**ISSUE**

We have a recurring need for financial advisory services that support our large and complex debt program. The establishment of the bench facilitates use of at least three financial advisors consistent with the MTA Debt Policy.

**DISCUSSION**

We require the services of financial advisors to assist with the issuance and management of our bonds, commercial paper programs, interest rate swaps and lease financings, and to assist with the investment of debt service funds and reserve funds. We have approximately \$3.3 billion in bonds outstanding, including variable rate debt with associated swaps. The financial advisors additionally assist in evaluating the risks and opportunities associated with debt issuance and monitoring our debt portfolio to alert us to opportunities to refund or restructure our bonds to achieve present value savings. We receive assistance with presentations to rating agencies, lenders and investors. As we continue to explore vehicles to deliver the America Fast Forward program we expect the financial advisors to provide analytical support as well as advice during negotiations for TIFIA loans, grants and other sources of funding.

Financial advisors will assist with other tasks such as overseeing the selection and documentation process to implement structured finance products.

In order to expand the pool of potential financial advisors, notification of the RFP was sent to over 40 firms previously identified through our outreach efforts that included presentations to Transportation Business Advisory Council, Citizen's Advisory Committee and participating in MTA's "Meet The Buyers" and "Meet the Primes" events over the past two years.

The bench provides an opportunity for smaller and regional firms to participate on projects that might not have been feasible if they were required to provide all services. While they are not currently certified by MTA, six of the recommended firms are certified as small businesses, four by the State of California and two by the State of New Jersey.

The bench of financial advisors is divided into two categories, Lead or Project Basis. KNN Public Finance, Montague DeRose, and Public Financial Management received the highest evaluation scores and will rotate as Lead(s) over the term of the contract on a retainer basis. Projects will be assigned to firms, including those not serving as the Lead, on a task order basis. The wide range of firms on the bench will allow us to use different firms over the term of the bench for specialized services or financing types. We will provide an annual report showing the utilization of the firms on the bench in September each year.

Under the bench approach, firms are not guaranteed any work. The recommended not to exceed amount of \$5,300,000 is based on historical requirements for financial advisory services as well as estimated work load over the next six years.

### **DETERMINATION OF SAFETY IMPACT**

Approval of this item will not impact the safety of our patrons or employees.

### **FINANCIAL IMPACT**

The FY14 adopted budget includes \$800,000 for these services in cost center 0521, Non-Departmental Treasury, under Project 610306, Project 610307 and Project 660301, Other Debt Costs Overhead. Since this is a multi-year agreement, the cost center manager, Treasurer and Chief Financial Services Officer will be accountable for budgeting the cost in future years.

#### **Impact to Budget**

The source of funds for Projects 610306, 610307 and 660301 are comprised of Proposition A 35% and 40%, Proposition C 10%, 25% and 40% and Measure R 35% funds. Proposition A 35% and Proposition C 40% are eligible for bus/rail operating expenses.

### **ALTERNATIVES CONSIDERED**

- A. Conduct a separate procurement for each individual task as needed. This alternative is not recommended because it would require extensive additional staff time to process each request and result in delays due to the lead time required to complete each procurement. Because many of our transactions are dependent on market conditions and are very time sensitive, we may miss opportunities while going through procurement processes.
- B. Develop in-house staff resources to meet these requirements. This alternative is not recommended because external financial advisors deal with the specific technical, specialized and quantitative matters of the financial market place on a daily basis. It is not practical to maintain this expertise in-house.

### **NEXT STEPS**

Execute the contracts. Specific task orders will be issued as needed.

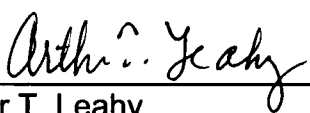
### **ATTACHMENT**

- A. Procurement Summary

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Michelle Lopes Caldwell  
Chief Administrative Services Officer

  
Terry Matsumoto  
Chief Financial Services Officer

  
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Chief Executive Officer

**PROCUREMENT SUMMARY**

**LACMTA FINANCIAL ADVISORY SERVICES**

1.	Contract Number: PS13052103	
2.	Recommended Vendor: 9 total as listed on the following pages	
3.	Type of Procurement (check one): <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	Procurement Dates:	
	A. Issued: 3/15/13	
	B. Advertised/Publicized: 3/18/13	
	C. Pre-proposal/Pre-Bid Conference: 3/27/13	
	D. Proposals/Bids Due: 4/11/13	
	E. Pre-Qualification Completed: 6/24/13	
	F. Conflict of Interest Form Submitted to Ethics: 6/24/13	
	G. Protest Period End Date: 7/24/13	
5.	Solicitations Picked up/Downloaded: 24	Bids/Proposals Received: 12
6.	Contract Administrator: Linda Rickert	Telephone Number: 213-922-4186
7.	Project Manager: LuAnne Edwards Schurtz	Telephone Number: 213-922-2554

**A. Procurement Background**

The RFP was issued in accordance with Metro’s Acquisition Policy and the contract type is a firm, fixed labor rate and a firm, fixed annual retainer for the lead financial advisors. Lead financial advisors will be chosen from the top three scoring proposals and will be paid a retainer for the year of their service as lead. Firms not serving as the lead financial advisor and all other members of the bench will compete for the projects as needed.

The RFP was posted on the Metro web site and advertised per our policies. The procurement ads were run in the Daily News and The Bond Buyer as well as LA Opinion and the Los Angeles Sentinel.

One amendment was issued during the solicitation phase of this RFP as follows:

- Amendment No. 1 was issued on 3/13/13 to clarify the time and place of the pre-proposal meeting.

A total of 12 proposals were received on April 11, 2013. Nine questions were submitted by potential proposers and answered by staff during or after the pre-proposal meeting.

**B. Evaluation of Proposals/Bids**

A total of 12 proposers responded to this solicitation. A Selection Committee consisting of staff from Treasury, Transportation Planning, and Santa Barbara County Association of Governments was convened and conducted a comprehensive technical evaluation of the proposals received.

The proposals were evaluated based on the following evaluation criteria and weights:

Certified Small Business	5 percent
Prime Contractor's Skills and Experience	25 percent
Qualifications of Staff	20 percent
Work Plan and Approach to Statement of Work	25 percent
Price	25 percent

The evaluation criteria are appropriate and consistent with criteria developed for other, similar service oriented procurements. Several factors were considered when developing these weights, giving the greatest importance to the Experience, Work Plan, and Price. Three firms were determined to be outside the competitive range and were not included for further consideration.

The evaluation committee met and reviewed the proposals. References were checked on all proposers. In general each proposal addressed the requirements of the RFP, demonstrated experience with all aspects of the required tasks, and stressed each firm's commitment to the success of the project. Of the twelve proposals received, nine firms were within the competitive range and are recommended for the bench. The nine firms are listed below in alphabetical order:

Backstrom McCarley Berry & Company, LLC  
Fieldman Rolapp & Associates  
KNN Public Finance  
Lamont Financial Services Corporation  
Mazyck Advisors LLC and NW Financial LLC  
Montague DeRose and Associates, LLC  
Public Financial Management, Inc.  
Public Resources Advisory Group  
Sperry Capital Inc.

## **Qualifications and Background Summary of Firms Within the Competitive Range:**

### **FIRM #1 Backstrom McCarley Berry & Co., LLC**

The Principals and Executive Management at Backstrom McCarley Berry & Co., LLC have a strong history in banking and consulting projects on numerous transportation issues throughout the country. They have been registered with the MSRB and SEC for the past ten years and maintain offices in New York, Chicago, Houston, and San Francisco. The firm has consulted for the San Francisco Municipal Transportation Agency and the San Francisco International Airport as well as the Bay Area Rapid Transit District (BART). They demonstrated analytical skills and experience to provide advice on Agency financial matters.

### **FIRM #2 Fieldman Rolapp & Associates**

Fieldman Rolapp & Associates is a California-based independent financial advisory firm that began business in 1966. They have established models for measuring coverage on sales tax based bond issues as well as cash flow modeling. The firm's concentration is 100% on public finance. This firm will be able to provide advice for bond issuance, strategic advice and cash flow modeling, and other projects. They have served as a financial advisor for the Port of Los Angeles, the City of Irvine, and the Solid Waste Resources Revenue Bond Project with the City of Los Angeles.

### **FIRM #3 KNN Public Finance**

KNN Public Finance serves as lead financial advisor to various transportation entities such as the San Francisco County Transportation Authority, Santa Clarita Valley Transportation Authority, and the Napa Valley Transportation Authority. They have provided financial advisory services to state and local governments since 1982 and is based in Oakland, California. Although they will not serve as a Swap Advisor or an Investment Advisor, they will be able to provide all transaction services, cash flow modeling, investor and rating relations programs, and debt and financial policy development, including assisting in determining the key factors that drive financial decisions and strategies.

### **FIRM #4 Lamont Financial Services Corporation**

Lamont Financial Services Corporation maintains offices in San Francisco and Walnut Creek California with a main office in Fairfield, New Jersey. They were founded in 1987 and rank in the top ten financial advisory firms in the U.S. Based on their expertise gained serving the New York MTA and the State of Connecticut, this firm is positioned to serve as a Swap Advisor and Investment Advisor as well as providing strategic and policy advice especially on newly emerging products and project oriented financial transactions.

#### **FIRM #5 Mazyck Advisors LLC NW Financial LLC**

Mazyck Advisors LLC along with NW Financial LLC has competencies in Planning and Transaction Management as well as in structured products and derivatives. Mazyck Advisors was formed by Jan Mazyck in 2010 and has, under another firm, performed consulting for Metro. NW Financial has a seventeen year history of providing financial consulting. They have advised the New Jersey Turnpike and the Pennsylvania Turnpike Commission as well as the South Jersey Transportation Authority. This team has the experience to provide services on a project specific basis.

#### **FIRM #6 Montague DeRose and Associates LLC**

Montague DeRose and Associates, LLC is a California-based firm that was founded in 1995 to serve as the financial advisor on TIFIA loans, bond issues, commercial paper, and other financial projects for the public sector. They have performed work for a number of public agencies including SANBAG, the State of California, and the United States Department of Transportation. They have extensive experience creating financing models for county master transportation plans and capital improvement plans. They have advised USDOT on TIFIA loans and would be able to bring this experience as Financial Advisor for our TIFIA financings. As a Lead Financial Advisor, they will provide service in all areas of financial management, including bond issues, derivatives and policy review and development.

#### **FIRM #7 Public Financial Management, Inc.**

Public Financial Management, Inc., founded in 1975 in Los Angeles, has advised LACMTA in bond proceeds investments, development of new trust agreements, commercial paper programs, fixed and variable rate bond issuance and refunding, and the development of debt and swap policies. As the incumbent financial advisor, Public Financial Management, Inc. has a proven record of satisfactory service to the LACMTA. As a Lead Financial Advisor, they will continue to bring their advice to all areas of financial management.

#### **FIRM #8 Public Resources Advisory Group**

Public Resources Advisory Group (PRAG) maintains an office in Los Angeles while their main office is in New York. PRAG is wholly owned and managed by its employees. It was founded in 1985 and has been a top-ranked California firm for four years providing services for the State of California, the Port of Long Beach, and the Denver Union Station Project Authority. They have a particular focus in California public agencies with complex financing programs. PRAG will be able to consult on projects that include complex analytics and modeling cash flows, variable rate obligations and rating strategies.



**FIRM #9 Sperry Capital Inc.**

Sperry Capital Inc. was established in 1994 to provide financial advisory services to state and local governmental agencies. They have provided services to Orange County Transportation Authority (OCTA) and well as the Transbay Joint Powers Authority. They are registered as a municipal advisor and have served other agencies advising on sales tax revenue bonds, tax-exempt commercial paper and TIFIA loans. Sperry Capital may advise, on a project basis, post issuance compliance, commercial paper issuance, public-private partnerships, and investments, as well as other financial management tools.

**Evaluation Summary:**

	Firm	Weighted Total Score	Rank
1.	Backstrom McCarley Berry & Co., LLC*	73.32	8
2.	Fieldman Rolapp & Associates*	76.11	4
3.	KNN Public Finance	79.57	2
4.	Lamont Financial Services Corporation*	73.33	7
5.	Mazyck Advisors LLC and NW Financial LLC*	75.50	5
6.	Montague DeRose and Associates LLC*	79.00	3
7.	Public Financial Management, Inc.	92.00	1
8.	Public Resources Advisory Group	73.49	6
9.	Sperry Capital Inc.*	72.75	9

\*Certified small business enterprise by another governmental agency.

The three highest ranking firms, KNN Public Finance, Montague DeRose and Associates, LLC, and Public Financial Management, Inc. will be rotated as the lead financial advisor. The two firms that do not serve as leads each year will compete, along with the rest of the bench, for the projects as needed.

**C. Cost/Price Analysis**

The recommended price has been determined to be fair and reasonable based upon adequate competition, price analysis, technical evaluation, fact finding, and negotiations. Retainers for the highest scored proposals were negotiated. All hourly

rates (too numerous to detail here) were considered to be competitive and were not negotiated further.

	Bidder/Proposer Name	Proposal Amount (Yearly Retainer)	Negotiated
1.	KNN Public Finance	\$175,000	\$110,000
2.	Montague DeRose and Associates LLC	\$240,000	\$120,000
3.	Public Financial Management, Inc.	\$100,000	N/A

Transaction projects will be competed to members of the bench and will be compensated outside the retainer.

#### **D. Small Business Participation**

The Diversity and Economic Opportunity Department (DEOD) did not recommend a Small Business Enterprise (SBE) goal for this bench of financial advisors. None of the financial advisors listed any SBE subcontractor(s) nor commit to any SBE participation.