

**SOUND TRANSIT
STAFF REPORT**

MOTION NO. M2005-54

Financial Advisory Services

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	5/19/05	Discussion/Possible Action	Brian McCartan Finance & Information Technology	(206) 398-5100

Contract/Agreement Type:	✓	Requested Action:	✓
Competitive Procurement		Execute New Contract/Agreement	
Sole Source		Amend Existing Contract/Agreement	✓
Interlocal Agreement		Contingency Funds (Budget) Required	
Purchase/Sale Agreement		Budget Amendment Required	

✓ *Applicable to proposed transaction.*

ACTION

Authorizes the Chief Executive Officer to execute a contract amendment with PFM to provide additional financial advisory services in the amount of \$570,000 for a new total authorized contract amount not to exceed \$750,000.

KEY FEATURES

- Increases existing contract dollar amount to permit PFM to provide increased financial advisory services in the wake of key employees leaving one of Sound Transit's other financial advisory service contractors.
- PFM will become the agency's lead for providing debt management services.

BUDGET IMPACT SUMMARY

This action is within the Board-adopted budget; there are no contingency funds required, no subarea impacts, or funding required from other parties other than what is already assumed in the financial plan.

BUDGET DISCUSSION

Financial advisory services for debt management are predominately charged to bond issuance costs, which are not included in the annual staff budget but are rather paid out of bond proceeds. In addition, the budget CFO's division of the Information Technology Department contains funds for consulting services, some of which may be used to compensate PFM for special financial advisory service projects not associated with a bond issue.

REVENUE, SUBAREA, AND FINANCIAL PLAN IMPACTS

The proposed action is consistent with the current Board-adopted total project budget and is affordable within Sound Transit’s current long-term financial plan and the subarea financial capacity; there is no impact to subarea affordability. The Financial Plan assumes a 1.5% issuance costs for all bonds, a portion of which would be used to compensate for financial advisory services.

BUDGET TABLE

Action Item: Amendment to contract with PFM for Financial Advisory Services

(Year of Expenditure \$000)

	(A)	(B)	(C)	(D)
Contract Budget:	Current Approved Contract Value	Spent to Date	Proposed Action	Proposed Total Contract Value
Financial Advisory Services	180,000	15,000	570,000	750,000
Contingency	-	-	-	-
Total	180,000	15,000	570,000	750,000
Budgets	Prior Budgets	2005 Budget	Future Budgets	Total
CFO Division, Consulting Services	15,000	10,500	49,500	75,000
Bond Issuance Costs	-	77,695	597,305	675,000
TOTAL CONTRACT CHARGES:	15,000	88,195	646,805	750,000

Notes

This a multi year contract starting from June 2005 and may extend to June 2008, if both extension options are exercised.

The agency's financial plan assumes 1.5% issuance cost per bond sale to cover the costs of underwriters, bond counsel, financial advisory fees, rating agency fees and other bond issuance costs. These costs are charged directly to bond proceeds and are not separately budgeted within the agency's annual staff budget.

M/W/DBE – SMALL BUSINESS PARTICIPATION

PFM is not an M/W/DBE firm. However, Sound Transit’s financial advisory team has two minority owned businesses (Hattori and Associates and McCalley Consulting) and one women owned business (Berk and Associates).

EEO Commitment

PFM workforce is 18% minority and 49% women.

Apprentice Utilization Commitment

Not applicable for this action.

HISTORY OF PROJECT

Prior Board or Committee Actions and Relevant Board Policies

Motion or Resolution Number	Summary of Action	Date of Action
M2003-88	Executing a contract with Piper Jaffray to provide debt management services in an amount of \$750,000 for a period of three years, with the option of two one-year extensions	7/15/04

In July 2003 Sound Transit conducted a competitive procurement for Financial Advisory Services. The agency selected five firms to provide services in the areas of debt management and issuance, investment advisory services, financial analysis and innovative finance. PFM was selected to provide the investment management and asset liability management services, which includes debt management services. Piper Jaffray and Hattori & Associates were chosen to provide debt management services.

In 2003 the agency's two leads at Piper Jaffray left the firm, leaving Sound Transit without adequate services for debt management and issuance from that firm. This action would increase PFM's contract amount to allow them to provide debt management services in lieu of Piper Jaffray. A contract amendment with PFM is not otherwise necessary, as the contract provides for provision of asset liability management services, a component of which is debt management services.

CONSEQUENCES OF DELAY

Sound Transit staff is proceeding with evaluation of additional debt transactions to discuss with the Board in order to achieve the lowest possible borrowing costs for the agency. If PFM is not authorized to provide additional debt management services, the agency would have to conduct a new competitive procurement for these services requiring 3 to 5 months.

PUBLIC INVOLVEMENT

Not applicable for this action.

LEGAL REVIEW

JDW 5/17/05

SOUND TRANSIT

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A motion of the Finance Committee of the Central Puget Sound Regional Transit Authority authorizing the Chief Executive Officer to execute a contract amendment with PFM to provide financial advisory services in the amount of \$570,000 for a new total authorized contract amount not to exceed \$750,000.

Background:

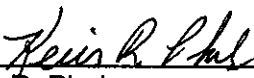
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Motion:

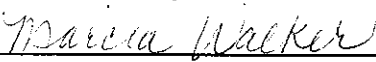
It is hereby moved by the Finance Committee of the Central Puget Sound Regional Transit Authority that the Chief Executive Officer is authorized to execute a contract amendment with PFM to provide financial advisory services in the amount of \$570,000 for a new total authorized contract amount not to exceed \$750,000

APPROVED by the Finance Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on May 19, 2005.



Kevin R. Phelps
Finance Committee Chair

ATTEST:



Marcia Walker
Board Administrator