

**SOUND TRANSIT
STAFF REPORT**

MOTION NO. M2008-76

Contract for Debt Management and P3 Advisory Services

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	8/7/08	Discussion/Possible Action	Brian McCartan, CFO Tracy Butler, Treasurer	(206) 398-5100 (206) 398-5146

Contract/Agreement Type:	<input checked="" type="checkbox"/>	Requested Action:	<input checked="" type="checkbox"/>
Competitive Procurement	<input checked="" type="checkbox"/>	Execute New Contract/Agreement	<input checked="" type="checkbox"/>
Sole Source		Amend Existing Contract/Agreement	
Agreement with Other Jurisdiction(s)		Budget Amendment	
Real Estate		Property Acquisition	

PROPOSED ACTION

Authorizes the chief executive officer to execute a three-year contract with two one-year options with Public Financial Management, Inc. to provide financial advisory services for debt management, asset-liability management, public private partnership and innovative financing for a total authorized contract amount not to exceed \$650,000.

KEY FEATURES of PROPOSED ACTION

- Contractor would provide financial advisory services for debt issuance, asset-liability management, public private partnership (P3) and innovative financing.
- The contract is for a period of three years, with two one-year options to extend. The requested amount covers all five years of the contract.
- Funding for the debt management services and asset-liability management has been assumed within the agency's financial plan as a part of bond issuance costs.
- Funding for the public private partnership and innovative financing advisory services has been assumed within the agency's financial plan and within the staff budgets.

BUDGET IMPACT SUMMARY

There is no action outside of 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 and FINANCIAL PLAN DISCUSSION

The contractor would be compensated in two ways:

For work directly associated with a bond issuance the firm would be compensated out of the bond proceeds. These costs have been set aside within the agency's long-term financial plan.

For special project work that is unrelated to bond issuance, the consultant would be compensated based on a pre-agreed fee schedule. These costs are paid out of the Finance and Information Technology's annual budget (page 186 in the Adopted 2008 Budget book) for all financial consulting services and with the remaining portions from future budget proposals. Details are provided in the following section.

BUDGET TABLE

Summary for Board Action (X \$1,000)

Action Item: On-call financial advisory services

Current Year Budget	Adopted 2008 Budget	Spent to date in 2008	Contract Expenditures 2008	Remaining 2008 Budget
FIT Services Consultant/Management	1,028	132	33	864
Other Services	2,583	1,254		1,329
Total Account Category	3,611	1,386	33	2,193

Budget Shortfall

Level	Shortfall	Resources	Funding Source
N/A	-	-	N/A

Contract Spending Plan	Prior Year(s) Spending	2008 Spending	Future Expenditures	Total
Public Financial Management, Inc	-	33	618	650

Contract Budget	Current Approved Contract Value	Spent to Date	Proposed Action Per Year	Proposed Total Contract Value
Public Financial Management, Inc	-	-	650	650
	-	-		-
	-	-		-
Total	-	-	650	650
Percent Contingency	-	-		

Notes:

Budget for this item is included in the Sound Transit Staff Operating Budget Summary page 186 of the Adopted 2008 Budget. On page 186, Corporate Services section, see Consultant/Management line item. The 2009 portion of the contract amount will be requested in the Proposed 2009 Budget.

SMALL BUSINESS PARTICIPATION

Prime Consultant/Consultant

Public Financial Management, Inc. is the prime consultant for this contract and one of the thirteen members of the financial advisory team. Four firms in the financial advisory team are WBEs (Kraght Snell, P.S., Spectrum Design, Red Cedar Partners and Scott Balice Strategies).

There is no subcontracting opportunity due to the nature of the work.

Equal Employment Workforce Profile (% Women/People of Color)

Public Financial Management, Inc. workforce demographics are 42% women and 26% minorities.

PROJECT DESCRIPTION and BACKGROUND for PROPOSED ACTION

Since 1997, Sound Transit has maintained a team of financial advisory firms to provide, on an on-call basis, specialized services in the areas of debt management, investment management, transit and financial planning and innovative financing transaction. This approach has proved very effective at providing the agency focused, expert consultant services in key areas.

In July 2008, Sound Transit issued a new Request for Proposal (RFP) for these financial advisory contracts. The RFP included services in:

- Debt Issuance and management;
- Investment advisory services;
- Economic forecasting and analysis;
- Transit financial planning and modeling;
- Public private partnership and innovative financing;
- Strategic grant advisory services;
- Accounting and internal control advisory services; and
- Arbitrage rebate services.

The agency received 38 proposals in total. Staff intends to sign nine contracts under the CEO's authority with EcoNorthwest, Scott Balice Strategies, Seattle Northwest, Porter & Associates, Inc., Raul V. Bravo & Associates, Inc., Spectrum Design, Red Cedar Partners, and Duncan Kent & Associates.

Sound Transit received four proposals for debt issuance and management services and selected Public Financial Management, Inc. (\$650,000, which is for both debt management and P3 services) as the most qualified to provide the requested services.

Sound Transit received eight proposals for public private partnership and innovative financing advisory services and selected Public Financial Management, Inc. (\$650,000, which is for both debt management and P3 services). Raul V. Bravo (\$180,000, which is for P3, grant advisory and transit financial planning and modeling services) and Scott Balice Strategies (\$150,000, which is for both P3 and transit financial planning services) as most qualified to provide the requested services.

Services in the area of debt issuance and management would include debt transactions planning and management, asset-liability management and public private partnership and innovative financing advisory services.

Public Financial Management, Inc. is one of the country's leading independent financial advisors with extensive mass transit experiences. Sound Transit has been served by Public Financial Management, Inc. since it first entered the capital market in 1999. In 2003, they were selected to serve on the financial advisory team by Sound Transit through a competitive procurement process

and became the lead debt advisor in 2005. Since then, they have advised Sound Transit on two successful debt transactions with a total amount of \$872.8 million.

Analysis of Contracting Out vs. Performing In-House

The debt financial advisor specializes in optimizing the long-term financial plan and developing financing terms that ensure credit quality and low interest cost. The financial advisor ensures that the bond structure is sound and that the underwriting team prices bonds competitively. The financial advisor also assists the borrower in selecting investment bankers and in negotiating with underwriters, credit enhancers and rating agencies. Public Financial Management, Inc. offers specialized knowledge and expertise to complement the staff knowledge we have in-house on an as-needed basis. It would be less cost effective to create permanent positions to fill this requirement.

Prior Board/Committee Actions

None.

CONSEQUENCES of DELAY

A delay of two weeks would not impact the agency's financial functions and interrupt the services provided by the current consultant.

PUBLIC INVOLVEMENT

Not applicable.

ENVIRONMENTAL COMPLIANCE

PW 7/30/08

LEGAL REVIEW

JW 7/30/08

SOUND TRANSIT

MOTION NO. M2008-76

A motion of the Finance Committee of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a three-year contract with two one-year options with Public Financial Management, Inc. to provide financial advisory services for debt management, asset-liability management, public private partnership and innovative financing for a total authorized contract amount not to exceed \$650,000.

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 three-year contract with two one-year options with Public Financial Management, Inc. to provide financial advisory services for debt management, asset-liability management, public private partnership and innovative financing for a total authorized contract amount not to exceed \$650,000.

APPROVED by the Finance Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on August 7, 2008.



Aaron Reardon
Finance Committee Chair

ATTEST:



Marcia Walker
Board Administrator