



Board Report

File #: 2019-0757, File Type: Contract

Agenda Number: 20.

FINANCE, BUDGET AND AUDIT COMMITTEE NOVEMBER 20, 2019

SUBJECT: MUNICIPAL ADVISORS

ACTION: APPROVE BENCH CONTRACTS

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award six-year bench Contract Nos. PS64441000A through PS64441000J with the firms listed in Attachment A for municipal advisory services and execute task orders under these contracts for a total not-to-exceed amount of \$6,590,000 effective January 1, 2020 through December 31, 2025, subject to the resolution of protest(s) if any.

ISSUE

Metro has a recurring need for municipal advisory services to support our debt program. The existing bench contract expires December 31, 2019. The establishment of the bench facilitates the use of at least three (3) municipal advisors consistent with Metro's Debt Policy.

BACKGROUND

Metro requires the services of municipal advisors to assist with the issuance and management of our bonds, commercial paper and short-term borrowing programs, and lease financings, and to assist with the investment of debt service and reserve funds.

DISCUSSION

Metro has approximately \$5.4 billion in bonds outstanding. The municipal advisors will assist in evaluating the risks and opportunities associated with debt issuances and monitoring our debt portfolio to alert Metro to opportunities to refund and or restructure our bonds to achieve present value savings. The municipal advisors will assist in the preparation of presentations to rating agencies, lenders and investors. We expect the municipal advisors to provide analytical support as well as advice during negotiations for TIFIA loans, grants and other sources of funding. The municipal advisors additionally will assist with other tasks such as overseeing the selection and documentation processes to implement structured finance products. They will also assist with other tasks on an as-needed basis.

The bench of municipal advisors is divided into two categories: Lead or Project Basis. KNN Public Finance, Montague DeRose & Associates, Inc., and Public Resources Advisory Group (PRAG)

received the highest evaluation scores and will each serve a two-year term as Lead on a retainer basis. The Lead Municipal Advisor helps staff plan and coordinate the debt program objectives for the term that they serve as the Lead. Firms not serving as the Lead will be issued competitive Task Orders on a per project basis as needed by Metro. Under the bench approach, Project Basis firms are not guaranteed any work. During the expiring contract's six-year term, 23 Task Orders were issued.

The breadth of the bench will allow Metro to use different firms over the term of the contract for specialized services or financings. The bench also provides an opportunity for smaller and regional firms to participate on projects. Six of the ten recommended firms, including two of the leads, are certified small businesses by the State of California, with two of the six certified by Metro.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

The FY20 adopted budget includes \$1,000,000 for these services in Cost Center 0521, Non-Departmental Treasury, under Project 610306, Project 610307 and Project 660301 and Project 670301, Financing Costs. Since this is a multi-year agreement, the Cost Center Manager, Treasurer and Chief Financial Officer will be accountable for budgeting the cost in future years.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports the following Metro Strategic Plan Goal(s):

Goal #5: Provide responsive, accountable and trustworthy governance within the Metro organization.

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 the individual procurements. Because many of our transactions are dependent on market conditions and are very time sensitive, we may miss opportunities while going through the procurement process.

- B. Develop in-house staff resources to meet these requirements. This alternative is not recommended because external municipal 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

Upon approval, staff will execute the bench contracts for municipal advisory services. Individual task orders will be issued on an as-needed, competitive basis.


ATTACHMENTS

Attachment A - Procurement Summary

Attachment B - DEOD Summary

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