Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

Metro

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

Prepared by: Susan Cariasa-Ginsberg, Administration & Financial Services Manager, (213) 922-4026
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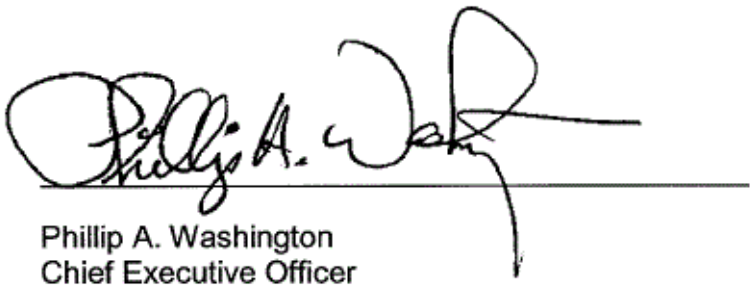

Phillip A. Washington
Chief Executive Officer

PROCUREMENT SUMMARY

MUNICIPAL ADVISORY SERVICES / PS64441000A – PS64441000J

1.	**Contract Number**: **PS64441000A – PS64441000J**	
2.	**Recommended Vendors**: Montague DeRose and Associates, Inc.; KNN Public Finance; Public Resources Advisory Group; Fieldman Rolapp and Associate; PFM Financial Advisors LLC; Backstrom, McCarley Berry & Co.; Sperry Capital, Inc.; Omnicap Group LLC; Hilltop Securities, Inc.; Columbia Capital Management LLC	
3.	**Type of Procurement (check one):** ☐ **IFB** ☒ **RFP** ☐ **RFP–A&E** ☐ **Non-Competitive** ☐ **Modification** ☐ **Task Order**	
4.	**Procurement Dates**:	
	A. Issued: July 30, 2019	
	B. Advertised/Publicized: July 30, 2019	
	C. Pre-Proposal Conference: N/A	
	D. Proposals Due: August 29, 2019	
	E. Pre-Qualification Completed: October 31, 2019	
	F. Conflict of Interest Form Submitted to Ethics: September 23, 2019	
	G. Protest Period End Date: November 25, 2019	
5.	**Solicitations Picked up/Downloaded**: **23**	**Bids/Proposals Received**: **10**
6.	**Contract Administrator**: **Ernesto N. DeGuzman**	**Telephone Number**: **(213) 922-7267**
7.	**Project Manager**: **Susan Cariasa-Ginsberg**	**Telephone Number**: **(213) 922-6162**

A. Procurement Background

This Board Action is to approve the award of bench Contract Nos. PS64441000A through PS64441000J for municipal advisory services for a six-year term effective January 1, 2020 for an aggregate amount not-to-exceed $6,590,000. Board approval of contract awards are subject to resolution of properly submitted protest.

Request for Proposal (RFP) PS64441 was issued in accordance with Metro's Acquisition Policy and the contract type is firm fixed labor rate for task orders, firm fixed annual retainer for Lead Financial Advisors while serving in that capacity, and firm fixed price for bond issues.

Two amendments were issued during the solicitation phase of this RFP:

- Amendment No. 1, issued on August 2, 2019 clarified the use of the Form 60 as the pricing form to be used for cost/price proposals.
- Amendment No. 2, issued on August 20, 2019 clarified the number of hard copy and electronic copies of the proposals to be submitted.

There were five questions submitted and responses were provided prior to the proposal due date.

Ten proposals were received on the due date of August 29, 2019 from the following firms listed in alphabetical order:

	Proposer Name
1	Backstrom, McCarley Berry & Co.
2	Columbia Capital Management LLC
3	Fieldman Rolapp and Associate
4	Hilltop Securities, Inc.
5	KNN Public Finance
6	Montague DeRose and Associates, Inc.
7	Omnicap Group LLC
8	PFM Financial Advisors LLC
9	Public Resources Advisory Group (PRAG)
10	Sperry Capital, Inc.

B. Evaluation of Proposals

A Proposal Evaluation Team (PET) consisting of staff from Metro's Treasury Department and a representative from an outside peer agency was convened and conducted a comprehensive technical evaluation of the proposals received.

The proposals were first evaluated on the following minimum Pass/Fail requirements. The solicitation specified that any proposal that did not meet these requirements will be ineligible for further evaluation:

- Proposer must be an independent municipal advisory firm that does not provide products or services including underwriting of municipal securities that have potential to create a conflict of interest with regards to a firm's fiduciary obligations under the contract. Proposers were asked to provide a signed affidavit confirming that they will not provide underwriting services to LACMTA if they are serving as LACMTA's Municipal Advisor in any capacity.
- Proposer (or staff directly assigned to LACMTA) has a minimum of five (5) years of current experience providing municipal advisory services.
- Proposer is currently registered as a Municipal Advisor Firm with SEC and MSRB
- Proposer shall be an IRMA as defined by the SEC.

All ten proposals met the minimum pass/fail requirements.

The proposals were then evaluated based on the following evaluation criteria:

- Small Business Evaluation 10%
- Degree of the Prime's Skills and Experience 25%
- Qualifications of Staff to be Assigned 20%
- Understanding of Work and Appropriateness of Approach for Implementation 20%
- Cost Proposal 25%

The evaluation criteria are appropriate and consistent with criteria developed for the procurement of similar services in the past. Several factors were considered when developing

these weights, giving the greatest importance to the Degree of the Prime's Skills and Experience, and the Cost Proposal.

On September 27, 2019, the PET concluded its independent evaluation of the ten proposals. All firms were determined to be responsive to the RFP and qualified to be on the bench.

Qualifications Summary of Proposers:

Montague DeRose and Associates, Inc.
Montague DeRose and Associates, Inc. is a California-based firm, 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 the former San Bernardino Associated Governments (now the San Bernardino County Transportation Authority), 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.

KNN Public Finance
KNN Public Finance serves as a 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. KNN will provide 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.

Public Resources Advisory Group
Public Resources Advisory Group (PRAG) was founded in 1985 and maintains an office in Los Angeles while their main office is in New York. PRAG is wholly owned and managed by its employees. It provides services for the State of California, the Port of Long Beach, and the Denver Union Station Project Authority. PRAG's focus is on California public agencies with complex financing programs. PRAG will advise on projects that include complex analytics and modeling cash flows, variable rate obligations, and rating strategies.

Fieldman Rolapp and Associate
Fieldman Rolapp & Associate 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.

PFM Financial Advisors LLC

PFM Financial Advisors LLC (PFM) was founded in 1975 in Los Angeles and has previously 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. PFM has a proven record of satisfactory service to the LACMTA.

Backstrom, McCarley Berry & Co.

Backstrom, McCarley Berry & Co. has a strong history in banking and consulting projects on numerous transportation issues throughout the country. They have been registered with the Municipal Securities Rulemaking Board (MSRB) and Securities and Exchange Commission (SEC) for over 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 have demonstrated analytical skills and experience to provide advice on Agency financial matters. Backstrom, McCarley Berry & Co. is a Metro-certified SBE.

Sperry Capital, Inc.

Sperry Capital, Inc. (SPI) was established in 1994 and provides financial advisory services to state and local governmental agencies. They have provided services to Orange County Transportation Authority and 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. SPI provides financial advice on a project basis on such issues as post issuance compliance, commercial paper issuance, public-private partnerships, and investments, as well as other financial management tools. SPI is a Metro-certified SBE.

Omnicap Group LLC

Omnicap Group LLC (Omnicap) is a nationally recognized municipal advisor established in 2004 and the firm has been providing financial and investment advisory services on a national level since its inception. Omnicap is a registered municipal advisor with the MSRB and SEC and a SEC Registered Investment Advisor. Omnicap is certified as a small business enterprise by the City of LA, LA County, and the State of California. Omnicap is focused on providing financial advisory, swap advisory, investment advisory, and post-issuance tax compliance services to tax-exempt issuers on a national level.

Hilltop Securities, Inc.

Hilltop Securities, Inc. is a financial advisory firm that is a registered broker/dealer. It serves as financial advisor to the Regional Transportation District (Colorado), Metropolitan Atlanta Rapid Transit Authority, Port of Houston, Maryland Transportation Authority, the Oklahoma Department of Transportation, Rhode Island Department of Transportation, Oklahoma Turnpike Authority, Miami-Dade International Airport, New Jersey Turnpike Authority, Dallas Fort Worth Airport, North Texas Tollway Authority, Miami-Dade County. Expressway Authority, Rhode Island Turnpike and Bridge Authority, and Tampa-Hillsborough County Expressway Authority.

Columbia Capital

Columbia Capital Management LLC (Columbia) was formed in 1996 and provides municipal bond issuers with independent financial advice. It has helped many high-profile issuers throughout the nation on approximately $61.1 billion of bonds, including fixed and variable rate, new money and refunding in areas including general obligation, revenue, annual appropriation, transportation, toll/turnpike, mass transit, parking, education, housing, pension, unemployment, and utilities. Columbia maintains staffed offices in Glendale, CA; Overland Park, Kansas; and Chicago, Illinois. Each of Columbia's offices have been established for at least one year, and 100% of the firm's employees are dedicated to public finance. Its current mass transit clients include Metro/Bi-State Development Agency (St. Louis), the Regional Transportation Authority of Northeastern Illinois, and the Chicago Transit Authority.

The three highest ranked proposers (Montague DeRose and Associates, Inc., KNN Public Finance, and PRAG) were selected to provide lead financial advisory services, alternating for a term limit of two years each. When not serving as lead financial advisors, they will be competing for task orders along with the rest of the bench.

C. Cost/Price Analysis

All future Task Order RFPs will contain a specific statement of work which will be competed among the firms on the bench. The Bench contractors will propose according to the requirements in the task order and a cost/price analysis will be performed prior to task order award.

DEOD SUMMARY

MUNICIPAL ADVISORY SERVICES / PS64441000A – PS64441000J

A. Small Business Participation

The Diversity and Economic Opportunity Department (DEOD) did not establish a Small Business Enterprise (SBE) or Disabled Veteran Business Enterprise (DVBE) goal for this solicitation due to the lack of subcontracting opportunities. According to Metro Project Management, the work performed by the municipal advisor is a highly specialized service that is not easily divisible into subcontractor tasks. However, staff was encouraged to outreach to certified firms to propose as Primes.

Two (2) of the Ten (10) firms selected as bench participants: Backstrom, McCarley, Berry & Co., and Sperry Capital, Inc. made 100% SBE commitments as SBE Prime contractors, performing the work with their own workforces.

	SBE Prime	**% Committed**
1.	Backstrom, McCarley Berry & Co.	100%
	Total SBE Commitment	**100%**

	SBE Prime	**% Committed**
1.	Sperry Capital, Inc.	100%
	Total SBE Commitment	**100%**

B. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy (LW/SCWRP) is not applicable to this contract.

C. Prevailing Wage Applicability

Prevailing wage is not applicable to this contract.

D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction contract value in excess of $2.5 million.