

# STAFF REPORT

**SUBJECT:** Award Contract for Measure K Renewal  
Financial Advisor

**RECOMMENDED ACTION:** Authorize the Executive Director to sign a contract with Public Financial Management to provide Measure K Renewal Financial Advisory Services for a Period of Five (5) years with an Administrative Option of Five Additional Years Based Upon Satisfactory Performance

## SUMMARY

The Board of Directors is requested to award a contract to Public Financial Management for on-call financial advisory services based upon the procurement process identified below. With the passage of the Dodd-Frank legislation following the great recession, greater transparency of financial advisors was required. This means an open and transparent procurement process to select the financial advisors.

On February 2, 2018, SJCOG issued a Request for Qualifications (RFQ) for Financial Advisory Services. RFP's were sent to fifteen California firms that are approved by the State of California Treasurer for state bond sales. Three proposals were received in response and all three proposers were invited to interview:

- KNN Public Finance
- Fieldman/Rolapp & Associates
- Public Financial Management Inc.

The firm's Statement of Qualifications (SOQ) determined whether they met minimum qualifications.

1. The firm must be an independent consultant, qualified to operate in California as a financial advisor.
2. The firm may not be involved in marketing or underwriting bonds or other debt securities.
3. The firm must have a minimum of ten (10) years' experience in providing comprehensive financial, and swap advisory services.
4. Services provided must include the following:
  - Twenty (20) public agency clients;

- Served as lead advisor on at least five (5) \$100 million financings over the last three (3) years; 3 financings of which must be in transportation.
5. The firm must have significant presence in the State of California as demonstrated by the following:
- The firm shall have at least five (5) different California government entity accounts.
  - The firm shall have maintained at least one office in California for the past 10 years.

Subject to meeting the minimum qualifications, interviews were conducted by the panel on March 13, 2018. The interview panel was comprised of SJCOG's Deputy Executive Director/CFO and Chief Accountant. The interview provided the proposers an opportunity to provide more information, in greater detail, and the evaluation panel an opportunity to delve deeper into the SOQs.

## **SUMMARY OF QUALIFICATIONS**

KNN – The firm primarily serves California agencies. Their transportation clients range from new self help counties to larger established agencies. They have been involved in several transactions over \$200 million. Their staff is experienced and competent.

Fieldman/Rolapp – FRA primarily serves southern California transportation agencies and is primarily involved with toll and express lane facilities. They have been involved in several transactions over \$200 million. Their staff is experienced and competent.

Public Financial Management – PFM is a national firm with an extensive portfolio of transactions for all types of agencies including transportation. PFM is the FA for many of the largest transportation agencies in California. The financial advisor component of PFM is one of several business units which include asset management, financial modelling, alternative finance and special services.

SJCOG staff ranks the firms 1) PFM 2) KNN 3) Fieldman Rolapp. Staff recommends PFM because of the depth of the organization, the corollary business units and their familiarity with SJCOG.

Based on the written proposals, interviews, and referral interviews the panel recommends PFM be offered a contract by SJCOG as the Measure K Renewal Financial Advisor for the next five years with an administrative option of five additional years based upon satisfactory performance.

## **BACKGROUND**

In 1992, at the beginning of the original Measure K, SJCOG issued an RFQ for a financial advisor to assist with our first bond transaction. This \$28 million deal was used to loan construction resources to Caltrans to widen the 120 Bypass. Since then, SJCOG has retained the same financial advisor, Public Financial Management (PFM) for Strategic Plan assistance

including the Financial Plan, and, on an on-call basis, to assist the agency in issuing bonds to expedite the delivery of measure projects and to maintain overall program cash flow.

Since the inception of Measure K and the Renewal, SJCOG retained a financial advisor to assist the agency in managing four revenue bond sales totaling \$673 million, a \$167 million commercial paper program and a \$75 million line of credit. These transactions resulted in the expedited delivery of numerous regional projects in the county, saving millions of dollars in project escalation costs and allowing project benefits to be realized years in advance. The projects delivered include highway improvements, grade separations and interchange construction.

The role of the advisor is to coordinate the highly specialized services leading to competitive or negotiated sale of bonds, including advising the agency on market timing, marketing strategy, issue structure, secure the best possible credit rating for the bond sales, and coordinate a bond sale team of a bond counsel, disclosure counsel, trustee, verification agent and financial printer.

Financial Advisor services are retained on a project by project basis and the cost of specific projects are negotiated based upon the scope.

#### **RECOMMENDATION:**

Authorize the Executive Director to execute a contract with PFM to serve as the Measure K Renewal Financial Advisor for a period of five (5) years with an administrative option for another five years based upon satisfactory performance.

#### **FISCAL IMPACT:**

The cost of PFM's services range from \$10,000-\$50,000 annually depending on the type of services requested in any given year. In Strategic Plan update years, costs are on the higher end of the spectrum. In other years, costs are generally on the lower end. Costs for support of a bond issuance are included in the cost of issuance and are deducted from the gross proceeds of the deal.

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