

MOTION NO. M2013-83

**Debt Management and Financial Advisory Services**

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:	PHONE:
Operations and Administration Committee	10/03/2013	Final Action	Brian McCartan, CFO <b>Tracy Butler, Treasurer</b>	206-398-5100 206-398-5146

PROPOSED ACTION

Authorizes the Chief Executive Officer to execute a five-year contract with Montague DeRose & Associates, LLC and Piper Jaffray & Co. (formerly Seattle-Northwest Securities) to provide debt management and innovative financing advisory services for a total authorized contract amount not to exceed the aggregate total amount of \$959,000.

KEY FEATURES SUMMARY

- The contract scope includes debt issuance and management, asset liability management, and innovative financing advisory services for Sound Transit.
- It is a standard practice to have financial advisors to advise large municipal issuers on financing and debt transactions. This approach allows Sound Transit to obtain competitive pricing and therefore save in financing costs.
- Both Piper Jaffray and Montague De Rose & Associates are top ranked independent financial advisors with extensive experiences in sales tax and transportation bond issuance.

BACKGROUND

Since 1997, Sound Transit has engaged financial advisory firms to provide, on an on-call basis, specialized services in the area of debt management. Debt transactions are highly complex and require specialized knowledge and information, and it is a standard practice to have financial advisors to advise large municipal issuers on financing and debt transactions.

In May 2013, Sound Transit issued an RFP for debt management and innovative financing advisory services. Sound Transit received four proposals and selected Montague DeRose & Associates, LLC and Piper Jaffray & Co. (formerly Seattle-Northwest Securities) as the most qualified to provide the requested services. Seattle-Northwest Securities officially merged with Piper Jaffray & Co. after they responded to the RFP; however, the proposal was done as though it was being submitted by a single post-merger corporate entity. Both firms are top ranked independent financial advisors with extensive experience in sales tax and transportation bond issuance. In the recent years, the financial market has been, and is still going through, many major changes. To determine the role and the level of involvement of each firm, the nature of the project, the credentials of the project team at the time and their past performance will all be taken into consideration .

The scope of these contracts would include debt transactions planning and management, asset liability management and public private partnership and Transportation Infrastructure Finance and Innovation Act (TIFIA) advisory services. Approximately \$2.7 billion bonds are assumed in the current financial plan for the next five years.

In March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 65, Items Previously Reported as Assets and Liabilities (GASB 65). This new statement

requires that costs related to the issuance of debt will no longer be recorded as a deferred charge and amortized over the life of the debt; they will instead be recognized as an expense in the period incurred. Therefore, staff will seek the approval from the Board to amend the annual budget to cover the bond issuance costs and debt services for each subsequent bond sale.

## FISCAL IMPACT

The total requested amount for the five-year period is \$959,000. The balance will be requested in future years' staff operating budgets.

**Action Item: This action is to approve debt management and innovative financing services contracts with Montague DeRose & Associates, LLC and Piper Jaffray & Co.**

Current Year Budget	Adopted 2013 Budget	Spent to date in 2013	Contract Expenditures 2013	Remaining 2013 Budget
<b>Finance and Information Technology</b>				-
<b>Services</b>	7,526	4,188	2	3,336
<b>Total Budget</b>	24,637	15,033	2	9,602

Spending Plan	Prior Year(s) Spending	2013 Spending	Future Expenditures	Total
<b>Montague &amp; Associates, LLC</b>	-	1	479	480
<b>Piper Jaffray &amp; Co</b>	-	1	478	479

Contract Budget	Current Approved Contract Value	Spent to Date	Proposed Action	Proposed Total Contract Value
<b>Montague &amp; Associates, LLC</b>	-	-	480	480
<b>Piper Jaffray &amp; Co</b>	-	-	479	479
<b>Contingency</b>	-	-	-	-
<b>Total</b>	-	-	959	959
<b>Percent Contingency</b>	-	-	0%	0%

Notes:

Amounts are expressed in \$000s.

Finance and Information Technology budget is on page 81 of the 2013 Adopted Budget.

Spent to Date is as of August 31, 2013.

## SMALL BUSINESS PARTICIPATION

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

## EQUAL EMPLOYMENT WORKFORCE PROFILE

Montague DeRose & Associates has a total of 17 employees; 41% women, 41% minorities.

Piper Jaffray & Co. has a total of 984 employees; 33.1% women, 10.2% minorities. The team that will be working with Sound Transit includes four senior female members.

## PUBLIC INVOLVEMENT

Not applicable to this action.

## TIME CONSTRAINTS

The current contract expires on October 31, 2013. This service is utilized on an ongoing basis.

## PRIOR BOARD/COMMITTEE ACTIONS

None

## ENVIRONMENTAL REVIEW

JI 9/17/2013

## LEGAL REVIEW

BN 9/25/13

## **MOTION NO. M2013-83**

A motion of the Operations and Administration Committee of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a five-year contract with Montague DeRose & Associates, LLC and Piper Jaffray & Co. (formerly Seattle-Northwest Securities) to provide debt management and innovative financing advisory services for a total authorized contract amount not to exceed the aggregate total amount of \$959,000.

### **BACKGROUND:**

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**MOTION:**

It is hereby moved by the Operations and Administration Committee of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to execute a five-year contract with Montague DeRose & Associates, LLC and Piper Jaffray & Co. (formerly Seattle-Northwest Securities) to provide debt management and innovative financing advisory services for a total authorized contract amount not to exceed the aggregate total amount of \$959,000.

APPROVED by the Operations and Administration Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on October 3, 2013.

  
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Paul Roberts  
Operations and Administration Committee Chair

ATTEST:

  
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Marcia Walker  
Board Administrator