

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
300 Lakeside Drive, P. O. Box 12688, Oakland, CA 94604-2688

**SPECIAL MEETINGS AND AGENDAS**  
June 21, 2007

**BOARD OF DIRECTORS AND ADMINISTRATION COMMITTEE**

President Sweet has announced a Special Meeting of the Board of Directors on Thursday, June 21, 2007, at 9:00 a.m.

Chairperson Franklin has announced a Special Meeting of the Administration Committee on Thursday, June 21, 2007, immediately following the recess of the Special Meeting of the Board of Directors.

**Both meetings will be held in the Alexandra-Smith Conference Room of The Washington Inn Hotel, 495 Tenth Street, Oakland, California.**

Members of the public may address the Administration Committee and Board of Directors regarding any matter on these agendas. Please complete a "Request to Address the Board" form (available at the entrance to the Conference Room) and hand it to the Secretary before the item is considered by the Board. If you wish to discuss a matter that is not on the agenda during a regular meeting, you may do so under General Discussion and Public Comment.

Any action requiring more than a majority vote for passage will be so noted.

Please refrain from wearing scented products (perfume, cologne, after-shave, etc.) to this meeting, as there may be people in attendance susceptible to environmental illnesses.

BART provides services/accommodations upon request to persons with disabilities who wish to address BART Board matters. A request must be made within one and five days in advance of a Board meeting, depending on the service requested. Please contact the District Secretary's Office at (510) 464-6083 for information.

Kenneth A. Duron  
District Secretary

Special Meeting of the  
BOARD OF DIRECTORS

The purpose of the Special Meeting of the Board of Directors and the Special Meeting of the Administration Committee is to consider and take such action as the Board may desire in connection with:

- A. Roll Call.
- B. Pledge of Allegiance.
- C. Introduction of Special Guests.

**RECESS TO SPECIAL MEETING OF THE ADMINISTRATION COMMITTEE**

- 1. Public Comment on Item 2 Only.
- 2. (CONTINUED from June 14, 2007, Administration Committee Meeting)  
General Obligation Bonds 2007 Series B.\* Board requested to authorize.
  - a. Selection of Underwriters
  - b. Selection of Financial Advisor.

**RECONVENE SPECIAL MEETING OF THE BOARD OF DIRECTORS**

- 1. Public Comment on Items 2, 3, and 4 Only.
- 2. Report of Special Meeting of the Administration Committee Meeting
  - A. (CONTINUED from June 14, 2007, Administration Committee Meeting)  
General Obligation Bonds 2007 Series B.\* Board requested to authorize.
    - a. Selection of Underwriters
    - b. Selection of Financial Advisor.
- 3. Report of the District Organizational Review Ad Hoc Committee.\*
  - a. Strategic Issues. For information.
  - b. Action Plan Items. Board requested to approve.
  - c. Finance, Budget, and Internal Audit Committee. Board requested to approve.
  - d. General Manager and Controller/Treasurer Resolution. Board requested to adopt.
- 4. Regional Rail Workshop. For information.
  - a. Welcome and Introductions.
  - b. BART's Role in Regional Rail Plan.
  - c. Proposed BART "Metro" Vision.
  - d. Board Discussion.
  - e. Next Steps.
  - f. Keynote Speaker: Dr. Vukan Vuchic.



## EXECUTIVE DECISION DOCUMENT

GENERAL MANAGER APPROVAL: <i>[Signature]</i>		GENERAL MANAGER ACTION REQ'D:	
DATE: 6/7/07		BOARD INITIATED ITEM: No	
Originator/Prepared by: Matisse Roach Dept: For Scott Schroeder Ext. 6070	General Counsel <i>[Signature]</i> 6.7.07	Controller/Treasurer <i>[Signature]</i> 6/7/07	District Secretary [ ]
Signature/Date:	[ ]	[ ]	BARC [ ]

**NARRATIVE:**

**TO AUTHORIZE THE SELECTION OF SENIOR MANAGER AND CO-MANAGERS AND FINANCIAL ADVISOR FOR THE NEGOTIATED SALE OF THE DISTRICT'S \$400 MILLION GENERAL OBLIGATION BONDS 2007 SERIES B.**

**PURPOSE:**

To authorize the Controller-Treasurer to enter into an agreement with the team of UBS Securities, LLC, Morgan Stanley & Co., Inc., Backstrom, McCarley Berry & Co., LLC, Jackson Securities, LLC, Siebert Brandford Shank & Co., LLC to provide the District with underwriting services and Public Financial Management, Inc. to provide Financial Advisory Services for the issuance of the General Obligation Bonds 2007 Series B. Documents for the General Obligation Bonds 2007 Series B will be brought to a future board meeting to seek authority to issue.

**DISCUSSION:**

In 2007, the District intends to issue the second tranche, estimated at \$400,000,000 of the voter approved \$980 million General Obligation Bonds. Proceeds of this issuance will be used for seismic strengthening of the various portions of the District's infrastructure.

In order to be prepared to issue the District's bonds at the most advantageous time for BART, requests for proposals (RFP) were sent to 29 firms, advertised in The Bond Buyer, San Francisco Chronicle, Oakland Tribune, Contra Costa Times and posted on the District's website for the proposed transaction. The RFPs requested the services of a senior manager and co-managers to develop a structure and provide for the sale of General Obligation Bonds 2007 Series B. Interest was expressed by 23 of the 29 firms in the form of five separate teams. The remaining firms proposed individually. Under the best value methodology, written proposals were evaluated by the Controller-Treasurer and the Assistant Treasurer. Evaluation criteria included qualifications of the proposed personnel, experience and financial capabilities of the firm, recommended structure and fees. As a result of this evaluation, five teams were invited to participate in oral interviews. Criteria for oral interviews included the proposed credit enhancement/security structure, market and sales distribution, fees, cost of issuance and overall understanding and responsiveness.

After review of the evaluations of the oral interviews in conjunction with the written scores, the team of UBS Securities, LLC, Morgan Stanley & Co., LLC, Backstrom, McCarley, Berry & Co., LLC, Jackson Securities, LLC and Siebert Brandford Shank & Co., LLC was ranked at the top, and proposed the lowest fee of \$2.206/bond including expenses. It is recommended that the team of UBS

## **EDD: (GENERAL OBLIGATION BONDS - CONTINUED)**

Securities, LLC acting as senior manager, Morgan Stanley & Co., LLC, Backstrom, McCarley, Berry & Co., LLC, Jackson Securities, LLC and Siebert Brandford Shank & Co., LLC (the "Underwriters") be designated to assist the District with the sale of bonds.

Proposals for the Financial Advisor were sent out to 27 firms. Six firms responded. Written proposals were evaluated by the Controller-Treasurer and the Assistant Treasurer. Using the best value methodology, a short list of three firms was selected for oral interviews and scored. The firm of Public Financial Management, Inc. was selected. Though not the lowest price proposed, they agreed to match the lowest fee proposed of \$50,000.00. It is recommended that Public Financial Management, Inc. (the "Financial Advisor") be selected to assist the District in the financial structuring of the Bonds.

### **FISCAL IMPACT:**

The cost of issuance for the General Obligation Bonds 2007 Series B for underwriting, legal counsel, financial advisors, rating agencies, trustee services and other auxiliary fees is estimated to be no more than \$3.0 million. All fees shall be paid out of proceeds and therefore, no direct costs will be paid by the District. If no bonds are issued, no expense will be incurred. Interest and principal debt service on the General Obligation Bonds will be paid through assessed ad valorem taxes on all property in the three BART district counties. No General Obligation Bond debt service will be borne by district revenues.

### **ALTERNATIVES:**

The District may elect not to issue the General Obligation Bonds 2007 Series B at this time, which would cause delays in the Earthquake Safety Program or the District could choose to issue bonds on a competitive sale basis.

### **RECOMMENDATION:**

To authorize the Controller-Treasurer to enter into agreements with the Underwriters and Financial Advisor for the General Obligation Bonds 2007 Series B. The Office of the General Council shall approve the agreements as to form.

### **MOTION:**

The Controller-Treasurer is authorized to


- a. enter into an agreement with the Joint Venture of UBS Securities, LLC, acting as senior manager, and Morgan Stanley & Co., LLC, Backstrom, McCarley, Berry & Co., LLC, Jackson Securities, LLC and Siebert Brandford Shank & Co., LLC acting as co-managers, as underwriters for the issuance of the General Obligation Bonds 2007 Series B, and
- b. enter into an agreement with Public Financial Management, Inc., as Financial Advisor relating to the General Obligation Bonds 2007 Series B,

pursuant to notification by the Controller-Treasurer and subject to the District's protest procedures. The cost of issuance for the General Obligation Bonds 2007 Series B shall not exceed \$3.0 million.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

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**INTER-OFFICE COMMUNICATION**

**TO:** Board of Directors **Date:** June 18, 2007  
**FROM:** Controller-Treasurer   
**SUBJECT:** SUPPLEMENTAL INFORMATION REQUEST

This memo responds to a request that additional information be provided describing the best value methodology used to select both the recommended financial advisor and the recommended underwriting syndicate as well as more information on the proposals for both procurements..

The FTA's Best Practices Procurement Manual describes the use of the "Best Value" selection process related to consultants. Therein, the Manual states:

"In determining which proposal is most advantageous, grantees may award to the proposer whose proposals offer the greatest business value to the Agency based upon an analysis of a tradeoff of qualitative technical factors and price/cost to derive which proposal represents the "best value" to the Procuring Agency."

The District has incorporated the best value methodology of selecting consultants in its Request for Proposal process. In accordance with the guidance in the FTA's Best Practices Manual, the District includes the following instructions in its RFPs, when a "best value" form of procurement is being conducted:

"Source selection will be based on both a Proposer's technical qualifications and cost. The District will first evaluate whether the written proposal is responsive to the requirements of the RFP and whether the Proposer's organization is considered responsible.

Thereafter, the written proposals will be evaluated and scored based on the presented qualifications, namely the technical qualifications of the Proposing Firms and the technical qualifications of the Proposed Team. The cost data will be tested on a limited basis for cost realism and reasonableness and will not be scored. After all proposals have been evaluated (by the evaluation procedures described below), a competitive range will be established and used to determine those Proposers who will proceed to the oral presentation stage.

After oral presentations are held and scored, a "Best Value Analysis" will be performed to determine which proposal offers the best overall value to the District. Final selection will be based upon this analysis. In making this comparison, the District is concerned with striking the most advantageous balance between written qualifications/oral presentation features and cost to the District. Cost is not expected to be the controlling factor in the selection for this RFP."

The financial advisor solicitation secured six responses. After reviewing the written proposals, three were selected for oral interviews. These three were, Public Financial Management at a fee of \$80,000, Alta Capital Group at a fee of \$49,865 and KNN Public Finance at a fee of \$50,000. Scores of both the oral and written proposals were ranked with Public Financial Management being ranked the highest. Their fee proposal was higher than the other two proposers and under the best value methodology staff is permitted to negotiate the fee. Public Financial Management agreed to a fee of \$50,000.

The Underwriter Selection was conducted under the same Best Value Methodology. Twenty-nine firms responded and twenty-three of the twenty-nine proposed as five separate underwriting syndicates. All of the individual firms which proposed on a stand-alone basis had either extremely limited or no California General Obligation Bond experience. All of the syndicates were invited to participate in oral interviews. The syndicates included:

- Citigroup, Goldman Sachs & Co., MR Beal & Co., Grigsby & Associates and Ramirez & Co. who proposed a takedown or underwriting fee not to exceed \$3.75/bond plus \$.268/bond in expenses otherwise for a total of \$4.018/bond but a minimum fee of \$3.16/bond plus \$.268/bond in expenses for a total of \$3.428/bond.
- Bank of America Securities, Lehman Bros., EJ De La Rosa & Co., Loop Capital Markets and Lam Securities with a takedown fee of \$3.75/bond plus \$.24/bond expenses for a total of \$3.99/bond.
- Merrill Lynch & Co., Bear Sterns & Co., Gardner Rich LLC with a takedown of \$2.75/bond plus expense of \$.23/bond for a total of \$2.98/bond.
- JP Morgan Securities, Stone & Youngberg LLC, Alta Capital Group LLC, Wedbush Morgan Securities, Rice Financial Products & Co. with a takedown of \$2.50/bond plus expenses of \$.272 for a total of \$2.772/bond
- UBS Securities LLC, Morgan Stanley & Co., Backstrom McCarley Berry & Co. LLC, Seibert Brandford Shank & Co., Jackson Securities LLC with a takedown of \$2.00/bond plus expenses of \$.206 for a total of \$2.206/bond.

Scores for both written and oral proposals in conjunction with price were ranked with the recommended syndicate of UBS, Morgan Stanley, Backstrom McCarley Berry, Seibert Brandford Shank, Jackson Securities being ranked number one. Because they were the highest ranked and were already the lowest price proposer, there was no further need to negotiate fees.

cc: Board Appointed Officers  
Deputy General Manager  
Executive Staff

## **SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

### **District Organizational Review Ad Hoc Committee Report June 21, 2007**

#### **MOTIONS**

##### **3.a. Action Plan Items.**

That the Board of Directors concurs with the final set of actions proposed byt the District Organizational Review Ad Hoc Committee, dated May 11, 2007, regarding the recommendations contained in the *Organizational Audit and Review of the Bay Area Rapid Transit District – Final Report* prepared by the Doolittle and Associates Team.

##### **3.b. Finance, Budget, and Internal Audit Committee.**

That the Board of Directors approves the establishment of the proposed Finance, Budget, and Internal Audit Committee in accordance with the recommendation of the Organizational Review Ad Hoc Committee Actions.

##### **3.c. General Manager and Controller/Treasurer Resolution.**

That the Board of Directors adopts the attached resolution in the Matter of the Authority and Responsibility of the Controller/Treasurer.