



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: APRIL 28, 2016

FROM: DEBT & TREASURY MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - AWARD OF PERSONAL SERVICES AGREEMENTS TO FRASCA & ASSOCIATES, LLC; KNN PUBLIC FINANCE, LLC; AND MONTAGUE DEROSE & ASSOCIATES, LLC TO PROVIDE FINANCIAL ADVISORY SERVICES AND TO AMEND AGREEMENT 13-3126 WITH FRASCA

SUMMARY:

Staff requests that the Board of Harbor Commissioners approve personal services agreements with three financial advisory firms for a three-year period. The Harbor Department utilizes financial advisors to assist with structuring and facilitating bond transactions, conducting cost and benefit analysis for financial opportunities, developing financial policies and procedures, staying abreast of the latest developments in the financial markets, implementing best practices and other duties as needed.

Staff is recommending approval of three-year Agreements with Frasca & Associates, LLC, a small business enterprise (SBE) and a woman business enterprise (WBE) with offices in New York and Orinda, CA; KNN Public Finance, LLC, a SBE with offices in Oakland, Newport Beach, and Los Angeles, CA; and Montague DeRose & Associates, LLC, a local business enterprise (LBE) and a SBE firm with offices in Westlake Village, Walnut Creek, and Sacramento, CA to provide financial advisory services. The three firms will be utilized on an as-needed basis through directives issued by the Harbor Department's Chief Financial Officer and/or Director of Debt and Treasury.

Staff is also requesting approval of an amendment to the current Agreement 13-3126 dated June 12, 2013 with Frasca & Associates, LLC, due to expire on June 11, 2016 to increase compensation by the amount of \$24,900 for providing advice in relation with Alameda Corridor Transportation Authority's (ACTA) 2016 Restructuring Bond transaction.

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The aggregate not-to-exceed amount for a 36-month term for these three agreements is estimated at \$420,000 including related expenses. These firms are being recommended as a result of a competitive request for proposal (RFP) process.

RECOMMENDATIONS:

It is recommended the Los Angeles Board of Harbor Commissioners (Board):

1. Find that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Find that in accordance with the Los Angeles City Charter Section 1022, the services required are temporary and of a professional, expert, and technical nature, which can be performed more feasibly by an independent contractor;
3. Approve the Agreements at an aggregate not-to-exceed amount of \$420,000, for a 36-month term, including related expenses, with Frasca & Associates, LLC; KNN Public Finance, LLC; and Montague DeRose and Associates, LLC to provide financial advisory services on an as-needed basis;
4. Approve the Amendment to Agreement 13-3126 dated June 12, 2013 with Frasca & Associates, LLC to increase compensation by \$24,900.
5. Authorize the Executive Director or designee to execute and the Board Secretary attest to said Agreements and Amendment for and on behalf of the Board; and
6. Adopt Resolution No. _____

DISCUSSION:

Background and Context – Los Angeles City Charter Section 609 authorizes the Board, with Council consent, to issue revenue bonds to finance Harbor Department projects. The complexity and market risks associated with issuing bonds require the independent expertise of outside financial advisors, bond counsel, as well as underwriters. Financial advisors (FA) are registered professionals with fiduciary responsibility to their clients. They act as independent third parties to assist municipal governments and proprietary entities with the selection of underwriters, trustees, issuance of bonds and commercial paper notes. FAs help to monitor the pricing and structuring of financial products, refunding, the tendering and defeasance of bonds, the investing of bond proceeds, and the understanding of current financial regulations. FAs also assist in rating agency relations, and keeping up to date on industry best practices. According to Government

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Finance Officers Association (GFOA), hiring financial advisors is an important element of debt planning and management. GFOA's best practices strongly encourage governments to use independent financial advisors when issuing debt.

The Need for Financial Advisors – The primary objective for establishing and executing these personal services agreements (Transmittals 3 through 5) is to provide the Harbor Department with financial advisory services that include reviewing, advising, and offering guidance with regard to financing needs, financial structure, market developments, and unbiased general industry information. By retaining a pool of highly qualified firms, the Harbor Department seeks to obtain high quality and efficient service to meet its financial needs.

The recommended firms offer the types of ongoing advisory services needed by the Harbor Department. Regulatory changes to the financial and credit marketplace make it important that resources are at hand to make well-informed financial decisions. The firm(s) to be selected for any particular project will depend upon the business need at that particular time, as well as the expertise and capabilities of the firm(s).

Frasca & Associates, LLC have been advising the Harbor Department in relation with ACTA's 2016 Restructuring Bond transaction, and therefore they have exceeded their three-year agreement amount of \$109,500 by \$24,900. Please see Transmittal 6 for an Amendment to their Agreement 13-3126 dated June 12, 2013.

Scope of Services – The proposing firms provide general financial advisory services. These services provide the Harbor Department a resource in formulating and executing debt financing, as well as to provide, when asked, advice and information on market conditions, financial structure, legislative and policy matters, rating agency, and investor relations.

The RFP Process – On January 21, 2016 the Harbor Department issued a Request for Proposals (RFP) for General Financial Advisory Services. The RFP and a letter of invitation were electronically mailed to nineteen firms listed under the California section of the Bond Buyer's Municipal Marketplace with experience in the transportation sector, as well as those firms that had contacted the Port and expressed an interest in Port business. In addition, the Harbor Department also posted the RFP on its website at www.portoflosangeles.org, and the City's Business Assistance Virtual Network ("BAVN") at www.labavn.org.

Nine firms responded by the February 10, 2016 deadline. All proposals received were evaluated based on the following criteria, listed in no particular order: (a) experience and qualifications of the firms and personnel; (b) demonstration of rating agency relations and investor management; (c) demonstration of quantitative analysis and knowledge of Department's debt portfolio; (d) pricing and fee schedule; (e) clarity and

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comprehensiveness of the proposal. Please see Transmittal 1 for a copy of the weighted evaluation criteria.

The four-member selection committee was comprised of three representatives from the finance staff of the Harbor Department, as well as a representative from the Department of Airports. Based upon proposal evaluations, the selection committee recommends selection of Frasca & Associates, LLC; KNN, Public Finance, LLC; and Montague DeRose & Associates, LLC to provide general financial advisory services. Please see Transmittal 2 for a copy of the composite scores.

As part of the Harbor Department's Small Business Enterprise (SBE) Program, the Department tracks the participation of various types of business enterprises in its contracting efforts. All three firms of Frasca & Associates, LLC, KNN Public Finance, LLC, and Montague DeRose and Associates, LLC are SBE firms. Additionally, Frasca & Associates, LLC is a WBE firm. The Harbor Department currently has Frasca & Associates, LLC and Montague DeRose and Associates, LLC under contract. KNN Public Finance, LLC would be a new firm to the Harbor Department. However, it should be noted that all three proposed firms have extensive experience working with various City Departments.

The proposed agreements provide for a not-to-exceed aggregate amount of \$420,000 for a 36-month term. Each Agreement will also include a 10-day cancellation provision, exercisable at the option of the Board.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of Agreements with three financial advisory firms for as-needed advisory services, which is an administrative activity. As such, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA in accordance with Article II, Section 2 (f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of these proposed personal services agreements will enable the Port to retain outside financial advisory services on an as-needed basis commencing in June 2016 for a not-to-exceed amount of \$420,000 over a three-year period. If this action is approved, any expenditure that takes place in the current fiscal year will be limited to the budgeted funds that remain in Center 620 Debt and Treasury Management, Account 54290.

It should be noted that when the Harbor Department uses financial advisory services for debt issuance, those expenses are paid from the bond proceeds and will be included in

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the cost of borrowing, and under government accounting standard rules are amortized as a non-operating expense and would not be a charge against the operating expense budget.

Funds for FY 2016-17 in the amount of \$120,000 have been requested to be budgeted in Account 54290, Center 0620. This amount is pending Board approval and is part of the annual budget adoption process. The remaining contract amounts of \$150,000 for each FY2017-18 and FY2018-19 future fiscal years will be requested to be budgeted as part of the annual budget adoption process upon Board approval.

Funds for FY 2015-16 has been budgeted in Center 0620 Debt and Treasury Management, Account 54290 to cover the requested compensation of \$24,900 for Frasca & Associates LLC, in connection with their advice to the Harbor Department on ACTA's 2016 Restructuring Bond transaction.

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CITY ATTORNEY:

The Office of the City Attorney has prepared and approved the Agreements and Amendment as to form and legality.

TRANSMITTALS:

1. RFP Selection Evaluation Form
2. Composite Score Results
3. Professional Services Agreement with Frasca & Associates, LLC
4. Professional Services Agreement with KNN Public Finance, LLC
5. Professional Services Agreement with Montague DeRose and Associates LLC
6. Amendment to Agreement 13-3126 with Frasca & Associates, LLC

FIS Approval: 

CA Approval: 



SOHEILA SAJADIAN
Director, Debt & Treasury



MARLA BLEAVINS
Deputy Executive Director and
Chief Financial Officer

APPROVED:



EUGENE D. SEROKA
Executive Director