



DATE: MARCH 21, 2023

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 MUNICIPAL FINANCIAL ADVISORY SERVICES

SUMMARY:

Staff recommends approval of personal services agreements with three municipal financial advisory firms for a three-year period. The Harbor Department utilizes municipal 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 municipal 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 minority-owned business enterprise (MBE) with offices in New York, Albany, Atlanta, Denver, Houston, Orlando and Washington DC; KNN Public Finance, LLC, an SBE with offices in Berkeley and Los Angeles; and Montague DeRose & Associates, LLC, a SBE firm with offices in Westlake Village and Walnut Creek 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.

The aggregate not-to-exceed amount for a 36-month term for these three agreements is \$324,000 including related expenses. These firms are being recommended as a result of a competitive Request for Proposal (RFP) process. The Harbor Department is financially responsible for the payment of expenses incurred under the proposed agreements.

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RECOMMENDATIONS:

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

1. Find that the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
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 \$324,000 including related expenses, for a 36-month term, with Frasca & Associates, LLC; KNN Public Finance, LLC; and Montague DeRose and Associates, LLC to provide municipal financial advisory services on an as-needed basis;
4. Authorize the Executive Director or designee to execute and the Board Secretary to attest to said Agreements for and on behalf of the Board; and
5. 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. Municipal financial advisors (MA) are registered professionals with a 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. MAs 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. MAs also assist in rating agency relations and keeping up to date on industry best practices. According to the Government Finance Officers Association (GFOA), hiring municipal financial advisors is an important element of debt planning and management. GFOA's best practices strongly encourage governments to use independent municipal financial advisors when issuing debt.

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The Need for Municipal 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 services to meet its financial needs.

The recommended firms offer the types of ongoing municipal 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).

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

The RFP Process – On January 3, 2023 the Harbor Department issued an RFP for General Municipal Financial Advisory Services. The RFP and a letter of invitation were electronically mailed to twelve 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 Harbor Department and expressed an interest in doing business with the Harbor Department. In addition, the Harbor Department also posted the RFP on its website at www.portoflosangeles.org, and the City's Regional Alliance Marketplace for Procurement (RAMP), at www.rampla.org.

Five firms responded by the January 23, 2023 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; and (e) clarity and comprehensiveness of the proposal. Please see Transmittal 1 for a copy of the weighted evaluation criteria.

The three-member selection committee was comprised of two representatives from the finance staff of the Harbor Department, as well as a representative from the Office of the City Administrator's Debt Management Division. 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 municipal financial advisory services. Please see Transmittal 2 for a copy of the composite scores. The three proposed firms have wide ranging experience working with national ports as well as Harbor Department.

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As part of the Harbor Department's 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 an MBE firm. 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 \$324,000 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 the approval of the personal services agreements with Frasca & Associates, LLC; KNN Public Finance, LLC; and Montague DeRose & Associates, LLC, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively 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 Harbor Department to retain municipal financial advisory services on an as-needed basis commencing upon execution including Board approval for a not-to-exceed amount of \$324,000 over a three-year period. Each agreement is for a not-to-exceed amount of \$108,000 for the three-year period. If this action is approved, any expenditure that takes place in the current Fiscal Year (FY) will be limited to the budgeted funds that remain in Center 620 (Debt and Treasury Management), Account 54490 (Financial Services).

Funds for FY2022/23 in the amount of \$108,000 have been budgeted, and funds for FY 2023/24 in the amount of \$108,000 have been requested within Center 0620, Program 000, Account 54490. The remaining contract amount will be requested in future fiscal years to be budgeted as part of the annual budget adoption process upon Board approval. A funding out clause is included in the proposed Agreements.

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

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CITY ATTORNEY:

The Office of the City Attorney has prepared and approved the proposed Agreements 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

FIS Approval: MB
CA Approval: SO



SOHEILA SAJADIAN
Director, Debt & Treasury



MARLA BLEAVINS
Deputy Executive Director and
Chief Financial Officer

APPROVED:

Marla Bleavins For

EUGENE D. SEROKA
Executive Director