



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: APRIL 19, 2013

FROM: DEBT & TREASURY

SUBJECT: RESOLUTION NO. _____ - AWARD OF PERSONAL SERVICES AGREEMENTS WITH FIELDMAN ROLAPP & ASSOCIATES, INC.; FRASCA & ASSOCIATES, LLC; MONTAGUE DEROSE AND ASSOCIATES LLC; AND NORBRIDGE, INC. TO PROVIDE FINANCIAL AND SPECIALTY ADVISORY SERVICES

SUMMARY:

The City of Los Angeles Harbor Department (Harbor Department) proposes to enter into contractual Agreements with three financial advisory firms and one specialty advisory firm for a three-year period with each firm. The Harbor Department uses advisors to assist on a wide variety of subjects, including the latest developments in the financial markets, debt issuance and structuring, the costs and benefits analysis for financial opportunities and leasing activities, among other issues.

Staff is now recommending approval of three-year Agreements with Fieldman Rolapp & Associates, Inc., a local small business enterprise (SBE) firm with offices in Irvine, CA to provide general financial advisory services; Frasca & Associates, LLC, a very small business enterprise (VSBE) and woman business enterprise (WBE) firm with offices in New York and Orinda, CA to provide general financial and specialty advisory services; Montague DeRose & Associates LLC, a local SBE firm with offices in Westlake Village, Walnut Creek, and Sacramento, CA to provide general financial and specialty advisory services; and Norbridge, Inc., an other business enterprise (OBE) firm with offices in Concord, MA and Washington D.C., to provide specialty advisory services. The aggregate not-to-exceed amount for a 36-month term for these four agreements is estimated at \$400,000, including related expenses. These firms are being recommended as a result of a competitive request for proposal (RFP) process.

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The four 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.

RECOMMENDATIONS:

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

1. 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;
2. Approve the Agreements at an aggregate not-to-exceed amount of \$400,000, for a 36-month term, including related expenses, with Fieldman Rolapp & Associates, Inc.; Frasca & Associates, LLC; Montague DeRose and Associates LLC; and Norbridge, Inc. to provide general financial and specialty advisory services on an as-needed basis;
3. Authorize the Executive Director or designee to execute and the Board Secretary attest to said Agreements for and on behalf of the Board; and
4. 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 assistance of independent expertise of outside financial advisors, bond counsel, and underwriters. Financial advisors (FA) 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 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. Furthermore, financial advisors have assisted the Harbor Department with specialty services such as structuring and negotiating leases, valuing assets, benchmarking performance, and creating appropriate financial models with respect to business viability.

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Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, financial advisors are now regulated by the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB) and are required to act as fiduciaries for their public issuer clients. This is in contrast with underwriters who do not have a fiduciary obligation to issuers.

The previous pool of consultants that provided financial and specialty advisory services included four firms with a total not-to-exceed contractual amount of \$900,000 for a three-year period. Those four firms were as follows: Frasca & Associates, LLC; Gardner, Underwood, & Bacon, LLC; Norbridge, Inc.; and Public Financial Management, Inc. The not-to-exceed contractual amount for each of these previous agreements ranged from \$200,000 to \$250,000, beginning on June 21, 2010 and expiring on June 20, 2013. Total actual expenditure over the three-year term for all firms combined will be about \$400,000.

The Need for Financial Advisors – The primary objective for establishing and executing these personal services agreements (Transmittals 3 through 6) is to provide the Harbor Department with financial and specialty advisory services that include reviewing, advising, and offering guidance with regard to financing needs, financial and leasing 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. Rapid changes to the financial and credit marketplace make it important that resources are at hand to make well-informed financial decisions. A pool of financial advisors provides the means to allow this to happen. 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 either General Financial Advisory Services or Specialty Advisory Services or both. The two types of services are described below.

- General Financial Advisory Services – These services provide the Harbor Department a resource in formulating and executing a 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.
- Specialty Advisory Services – These services provide the Harbor Department with assistance in lease structuring, review of capital plans and revenue enhancement mechanisms, property valuation, industry benchmarking, compensation, term, volume and pricing in order to maximize assets, among other services.

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The RFP Process – On December 27, 2012, the Harbor Department issued a RFP for General Financial and Specialty Advisory Services. The RFP and a letter of invitation were mailed to forty firms listed under the California section of the Bond Buyer's Municipal Marketplace Red Book, as well as those firms that had visited the Port and expressed an interest for Port business. In addition, the Harbor Department conducted an outreach effort to small business enterprises, minority business enterprises, and other financial advisory firms through public notices/advertisements that were published on two consecutive business days in each of the following newspapers: Metropolitan News, the Torrance Daily Breeze, La Opinion/Hoy, the Los Angeles Sentinel, and the Chinese Daily News. 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.

Eight firms responded by the February 1, 2013 deadline. All proposals received were evaluated based on the following criteria, listed in no particular order: (a) qualifications and experience of proposed personnel; (b) public finance and capital market experience; (c) general port and transportation-related experience; (d) overall financial advisory strategy and approach; (e) legislative and tax initiative knowledge; (f) best practices knowledge; and (g) pricing/fees. Please see Transmittal 1 for a copy of the weighted evaluation criteria.

The five-member selection committee was comprised of representatives from the City of Los Angeles Harbor Department's Finance and Real Estate Divisions as well as a representative from the Department of Airports. Based upon proposal evaluations, the selection committee recommends selection of Fieldman Rolapp & Associates, Inc. to provide general financial advisory services; Frasca & Associates, LLC to provide general financial and specialty advisory services; Montague DeRose & Associates, LLC to provide general financial and specialty advisory services; and Norbridge, Inc. to provide specialty advisory services. The selected firms should provide a breadth and depth of knowledge required by Harbor Department activities. Please see Transmittal 2 for a copy of the composite scores.

In consideration of the Harbor Department's Small Business Program, Fieldman Rolapp & Associates, Inc. and Montague DeRose and Associates LLC are SBEs. Frasca & Associates, LLC is a VSBE and a WBE. Norbridge, Inc. is an OBE. The Harbor Department currently has Frasca & Associates, LLC and Norbridge, Inc. under contract. Both Fieldman Rolapp & Associates and Montague DeRose and Associates would be new firms to the Harbor Department. However, it should be noted that all the proposed firms, except for Norbridge, are in the financial advisory pool for the City of Los Angeles.

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The proposed agreements provide for a not-to-exceed aggregate amount of \$400,000 for a 36-month term. Each Agreement will also include a 30-day cancellation provision, exercisable at the option of the Executive Director.

ENVIRONMENTAL ASSESSMENT:

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

ECONOMIC BENEFITS:

Approval of the proposed Agreements will support 3 direct and 3 secondary one-year equivalent jobs for the five county region.

FINANCIAL IMPACT:

Approval of these proposed personal services agreements will enable the Harbor Department to retain outside financial advisory and lease structuring services on an as-needed basis commencing approximately June 2013 in the not-to-exceed amount of \$400,000 over a three-year period. If this action is approved, any expenditures that take place in the current fiscal year will be limited to the funds that remain in Cost Center 0620 of Debt & Treasury Division, Account 54290. An amount of \$150,000 has been proposed to be budgeted for FY2013/2014 [Cost Center 0620/Account 54290/Program 000 (\$110,000) and Cost Center 0424/Account 54290/Program 000 (\$40,000)], with \$125,000 for each of the two subsequent years divided between Debt & Treasury Division in Cost Center 620/Account 54290/Program 000 (\$105,000) and Real Estate Division in Cost Center 0424/Account 54290/Program 000 (\$20,000). It should be noted that when the Harbor Department uses financial advisory services for debt issuance, those expenses are included in the cost of borrowing and, under government accounting standard rules, are amortized as a non-operating expense and would not be a charge against our operating expense budget.

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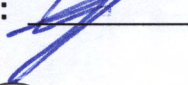
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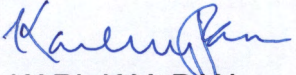
CITY ATTORNEY:


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

TRANSMITTALS:

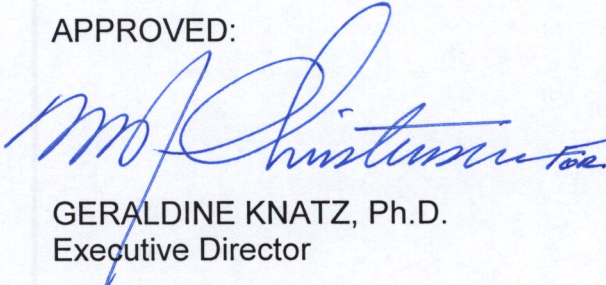
1. RFP Selection Evaluation Form
2. Composite Score Results
3. Professional Services Agreement with Fieldman Rolapp & Associates, Inc.
4. Professional Services Agreement with Frasca & Associates, LLC
5. Professional Services Agreement with Montague DeRose and Associates LLC
6. Professional Services Agreement with Norbridge, Inc.

FIS Approval: 
CA Approval: 


KARL K.Y. PAN
Chief Financial Officer


MOLLY CAMPBELL
Deputy Executive Director

APPROVED:


GERALDINE KNATZ, Ph.D.
Executive Director

SS:hw:cb
DT 13022 FY12/13
Author: Debt & Treasury