

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: Febraury 22, 2022

CAO File No. 0220-05291-1032

Council File No.

Council District: ALL

To: The Mayor  
The City Council

From: Matthew W. Szabo, City Administrative Officer



Reference:

Subject: **QUALIFIED LIST FOR INVESTMENT BANKING SERVICES FOR DEBT PROGRAMS MANAGED BY THE CITY ADMINISTRATIVE OFFICER**

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### RECOMMENDATIONS

That the City Council, subject to approval of the Mayor:

1. Approve the following firms to serve on the City's list of qualified firms for investment banking services for various debt programs managed by the City Administrative Officer (Qualified List), for a five-year term with four optional one-year extensions:
  1. Academy Securities, Inc. (Disabled Veterans Business Enterprise (DVBE), Minority Business Enterprise (MBE))
  2. American Veterans Group, Public Benefit Corporation\* (Small Business Enterprise (SBE), Service-Disabled Veteran-Owned Business (SDVOB))
  3. Bancroft Capital, LLC\* (Service-Disabled Veteran-Owned Small Business (SDVOSB))
  4. Barclays Capital Inc.
  5. BofA Securities, Inc.
  6. Cabrera Capital Markets, LLC (MBE)
  7. Citigroup Global Markets Inc.
  8. D.A. Davidson & Co.
  9. Drexel Hamilton, LLC (SDVOB)
  10. FHN Financial Capital Markets\*
  11. Goldman Sachs & Co. LLC
  12. Jefferies LLC
  13. J.P. Morgan Securities LLC
  14. Loop Capital Markets (MBE, Minority/Women Business Enterprise (M/WBE))
  15. Morgan Stanley
  16. Piper Sandler

17. Ramirez & Co. Inc. (MBE)
18. Raymond James & Associates, Inc.
19. RBC Capital Markets, LLC
20. Siebert Williams Shank & Co., LLC (M/WBE)
21. SMBC Nikko Securities America, Inc.\*
22. Stern Brothers (WBE)\*
23. Stifel Public Finance
24. TD Securities LLC\*
25. UBS Financial Services Inc.
26. UMB Bank, N.A.\*
27. US Bancorp\*
28. Wells Fargo Securities

\*Co-Managers Only

2. Authorize the City Administrative Officer to negotiate and execute contracts with any or all of the above firms, as needed, over the term of the Qualified List to serve as senior managers and co-managers for investment banking services for various City debt programs, subject to the approval of the City Attorney as to form.

## **SUMMARY**

On March 10, 2021 the CAO released a Request for Qualifications (RFQ) for investment banking services for negotiated bond sales (Attachment). Investment banking services include debt structuring and the marketing and underwriting of bonds, variable rate securities, and commercial paper. The CAO posted the RFQ on the Los Angeles Business Assistance Virtual Network and published an advertisement of the RFQ in The Bond Buyer, a publication for the municipal finance industry.

The CAO received responses from 37 firms. The selection panel evaluated the responses based on the firm's general qualifications, experience with specific financing transactions, and appropriateness of analysis and recommendations for City financings. The firms that received scores of 80 percent or above are recommended to serve on the Qualified List.

The CAO will assign firms on the Qualified List as senior managers or co-managers on an as-needed basis to issue debt through a negotiated sale. Each firm indicated whether it was applying for the senior manager or co-manager role in its response to the RFQ. The CAO will evaluate, in consultation with its independent municipal advisors and the City Attorney, whether to issue bonds by either a competitive or negotiated sale for each bond transaction using the criteria in the City's Debt Management Policy. The debt programs that the CAO may consider for a negotiated sale include the General Fund Lease Financing Program (Municipal Improvement Corporation of Los Angeles (MICLA) and Los Angeles Convention Center debt obligations), Land-Secured Assessment Financing Program, Solid Waste Resources Revenue Bond Program, Special Tax or Assessment District Financings, Tax and Revenue Anticipation Notes, Wastewater System

Revenue Bond Program, and unique transactions, including, but not limited to, public private partnerships and pension obligation bonds. Firms on the Qualified List may serve as remarketing agents or commercial paper dealers for the City's debt programs that include commercial paper and variable rate bonds in its debt portfolio. General obligation bonds are issued using a competitive method of sale pursuant to Division 11, Chapter 1, Article 5 of the Los Angeles Administrative Code. The CAO, therefore, will not use the Qualified List for the General Obligation Bond Program.

The CAO will solicit bids from firms on the Qualified List through a mini-Request for Proposals (mini-RFP) for all negotiated bond sales. The CAO, based on its needs and criteria, may limit the number of firms from the Qualified List that receive an invitation to respond to a mini-RFP. The mini-RFP will request the firms to submit information specific to the proposed financing such as work experience, marketing and distribution capabilities, underwriting capacity, and proposed fees. The CAO will select the underwriting firms best suited for the transaction based on this information. All fees are subject to negotiation at the time the CAO selects a firm for a transaction.

The CAO recommends the following firms for the Qualified List.

1. Academy Securities, Inc. (Disabled Veterans Business Enterprise (DVBE), Minority Business Enterprise (MBE))
2. American Veterans Group, PBC\* (Small Business Enterprise (SBE), Service-Disabled Veteran-Owned Business (SDVOB))
3. Bancroft Capital, LLC\* (Service-Disabled Veteran-Owned Small Business (SDVOSB))
4. Barclays Capital Inc.
5. BofA Securities, Inc.
6. Cabrera Capital Markets, LLC (MBE)
7. Citigroup Global Markets Inc.
8. D.A. Davidson & Co.
9. Drexel Hamilton, LLC (SDVOB)
10. FHN Financial Capital Markets\*
11. Goldman Sachs & Co. LLC
12. Jefferies LLC
13. J.P. Morgan Securities LLC
14. Loop Capital Markets (MBE, Minority/Women Business Enterprise (M/WBE))
15. Morgan Stanley
16. Piper Sandler
17. Ramirez & Co. Inc. (MBE)
18. Raymond James & Associates, Inc.
19. RBC Capital Markets, LLC
20. Siebert Williams Shank & Co., LLC (M/WBE)
21. SMBC Nikko Securities America, Inc.\*
22. Stern Brothers\* (WBE)
23. Stifel Public Finance

24. TD Securities LLC\*
25. UBS Financial Services Inc.
26. UMB Bank, N.A.\*
27. US Bancorp\*
28. Wells Fargo Securities

\*Co-Managers Only

To improve opportunities for emerging firms to do business with the City, the CAO intends to periodically release a new RFQ to allow firms to apply to join the Qualified List during the term of the Qualified List. This office anticipates opening the Qualified List to new firms every two to three years. Firms recommended to serve on the Qualified List as co-managers will have the opportunity to apply for senior manager roles through the periodic RFQ process. Following the evaluation of responses to each RFQ, the CAO will report to the City Council with a recommendation to add firms to the Qualified List.

### **FISCAL IMPACT STATEMENT**

The 2021-22 Adopted Budget includes appropriations within the Capital Finance Administration Fund and Sewer and Construction Maintenance Fund for costs attributed to services provided by commercial paper dealers and remarketing agents. Annual budget appropriations for such services are subject to Mayor and City Council approval. Fees for other investment banking services will be funded from bond proceeds upon successful closing of a transaction. There is no additional fiscal impact on the City's General Fund from approval of this report.

### **DEBT IMPACT STATEMENT**

Approval of these recommendations will have no impact on the City's debt limits.

### **FINANCIAL POLICIES STATEMENT**

The recommendations in this report are in compliance with the City's Financial Policies, which state that all municipal advisors, bond counsel, underwriters, and other as needed market participants will be selected through a RFP or RFQ process.

## **FINDINGS**

### **1. Background**

On March 10, 2021, the CAO released a Request for Qualifications (RFQ) for investment banking services for negotiated bond sales (Attachment). Investment banking services include debt structuring, and the marketing and underwriting of bonds, variable rate securities and commercial paper in accordance with the City's Financial Policies, Section 6, Debt Management Policy.

The CAO posted the RFQ on the Los Angeles Business Assistance Virtual Network and published an advertisement of the RFQ in The Bond Buyer, a publication for the municipal finance industry. The CAO posted five addenda to respond to questions from interested firms and received a total of 37 proposals by the April 21, 2021 deadline. The current list of qualified firms for investment banking services for various debt programs managed by the CAO (Qualified List) expired in December 2021 (C.F. 10-1763 and C.F. 20-0600-S84).

### **2. Evaluation Criteria**

The RFQ consisted of specific questions for each of the City's debt programs. The firms' responses to these questions provided the selection panel with the necessary information to evaluate the firms based on the following factors:

- a. General Firm Qualifications (25%): Includes personnel assigned to work on the City's financing transactions.
- b. Experience with Specific Financing Transactions (50%): Ability to structure and issue securities to achieve the lowest true interest cost. Firms must demonstrate knowledge and/or experience with similar transactions. Additionally, firms should have references that can attest to the quality of the firms' past work.
- c. Firm's Understanding of the City and Ability to Address Financing Needs (25%): Appropriateness of analysis and recommendations for City financings, taking City's Debt Management Policy and constraints into consideration.

### **3. Selection Process**

The selection panel, which was comprised of representatives from the Port of Los Angeles, the Los Angeles Unified School District, and the CAO reviewed and scored the 37 proposals.

As stated in the RFQ, "after an initial review of qualifications, the City may, at its sole discretion, conduct interviews of firms to further delineate their qualifications and experience. Firms may not be contacted for an interview if the City believes it has sufficient information to rate them." The selection panel conducted virtual interviews with seven firms to further evaluate their qualifications and experience.

Each firm indicated the debt programs for which it wanted to provide investment banking services to the City. The selection panel used the above evaluation criteria to score proposals. The scores reflect the firms' overall ability to provide investment banking services for the debt programs for which they applied. The CAO recommends firms that received a score of 80 points or above to serve on the Qualified List.

#### **4. Firms Recommended for the Qualified List**

A total of 28 firms scored 80 or above and are recommended to serve on the Qualified List for investment banking services. The 28 firms possess the expertise, capabilities, and underwriting capacity to sell the City's debt obligations over the next several years. There is no guarantee that all firms will be selected to serve on a City financing during the term of the Qualified List.

#### **5. Ability to Add Firms to the Qualified List**

To improve opportunities for emerging firms to do business with the City, the CAO intends to periodically release an RFQ to allow firms to apply to join the Qualified List during the term of the Qualified List. This office anticipates posting the RFQ on the Los Angeles Business Assistance Virtual Network every two to three years. Firms recommended to serve on the Qualified List as co-managers will have the opportunity to apply for senior manager roles through the periodic RFQ process. Following the evaluation of responses to each RFQ, the CAO will report to the City Council with a recommendation to add firms to the Qualified List.

#### **6. Findings Related to Selection of Professionals Pursuant to Charter Sections 371e(2), 371e(10), and 372**

Pursuant to Sections 371(e)(2) and 371(e)(10) of the City Charter, this Office finds that due to the technical, specialized, and unique nature of the investment banking services required for the sale and issuance of the City's bonds, which services are of a temporary and occasional character, the use of competitive bidding required by Section 371 of the Charter to select finance professionals necessary for the sale and issuance of the City's bonds would not be practicable, advantageous, or compatible with the City's best interest. Pursuant to Section 372 of the City Charter, and as described above, this Office has engaged in a competitive selection process with respect to the establishment of the Qualified List and will engage in a competitive selection process as bond transactions arise if such competitive process would be most advantageous to the City under the circumstances of the particular bond transaction.

Attachment

MWS:ZMB:09220037

**REQUEST FOR QUALIFICATIONS  
INVESTMENT BANKING SERVICES**

**FOR THE**

**CITY OF LOS ANGELES**



**ISSUED BY THE**

**CITY ADMINISTRATIVE OFFICER**

**March 10, 2021**

**Request for Qualifications  
Investment Banking Services**

**City of Los Angeles  
City Administrative Officer**

**DATE ISSUED:** March 10, 2021

**TITLE:** Investment Banking Services

**DESCRIPTION:** The City of Los Angeles (“City”) is seeking Statements of Qualifications from qualified firms for investment banking services for CAO-managed debt programs.

**DEADLINE FOR SUBMISSION:** **April 21, 2021 at 4:00 p.m. (PT)**

**SUBMISSION:** **E-mail electronic file to:**  
[cao.debt@lacity.org](mailto:cao.debt@lacity.org)

**E-mail redacted copy (see pages 4 to 5) to:**  
[cao.debt@lacity.org](mailto:cao.debt@lacity.org)

**TECHNICAL ASSISTANCE:** Questions related to this Request for Qualifications (RFQ) must be submitted via e-mail to [cao.debt@lacity.org](mailto:cao.debt@lacity.org) no later than **April 7, 2021 at 3:00 p.m. (PT)** to be considered before the final submission date. Questions and answers will be posted on LABAVN.

# Request for Qualifications Investment Banking Services

## City of Los Angeles City Administrative Officer

### INTRODUCTION

The City Administrative Officer (the “CAO”) of the City of Los Angeles is soliciting Statements of Qualifications from qualified firms for investment banking services on CAO-managed bond programs. These services will include debt structuring, and the marketing and underwriting of bonds, variable rate securities and commercial paper in accordance with the City’s Financial Policies, Section 6, Debt Management Policy (Attachment 8). The City expects to create a list of qualified firms for all its programs for both senior managers and co-managers (the “List”).

The List is expected to remain in effect for a period of three years, with possible two one-year extensions. The CAO will select firms from the List on an as-needed basis to perform investment banking, underwriting, remarketing and other related services based on the City’s evaluation of the firm’s qualifications for specific financings, fees and costs, and compliance with City policies. All fees are subject to negotiation at the time a firm is chosen for a transaction. The CAO reserves the right to make changes to the List from time to time and to sell debt obligations on a competitive basis and/or through other methods of sale. The City reserves the right in its sole discretion to select the firms and the nature of their engagement for each transaction as deemed appropriate by the City. **There is no guarantee that every firm selected to be on the City’s list of qualified firms will be awarded a contract during the life of the List.**

Firms selected from the List will be expected to participate actively in the sale, distribution and underwriting of debt obligations. Firms selected will also be expected to present the CAO with a post-sale analysis of the transaction, including a summary of the distribution for the bonds, list of investors placing priority orders, pricing information, orders placed by syndicate members, allocation of the bonds and secondary market trading activity.

It is the policy of the City to solicit participation by all individuals and businesses including, but not limited to, Minority Business Enterprises (MBE), Women Business Enterprises (WBE), Small Business Enterprises (SBE), Emerging Business Enterprises (EBE), Disabled Veteran Business Enterprises (DVBE), and all Other Business Enterprises (OBE) for an equal opportunity to participate in the performance of City contracts. The underwriting syndicate appointed by the City may be structured to include MBE/WBE/SBE/EBE/DVBE/OBE firms. Certification for any of these categories must be included in your response (see Section A, Question 1). The City reserves the right to set forth its goals and expectations in this regard prior to award of a contract.

For the purposes of this RFQ, the terms “firm”, “proposer” and “respondent” are used interchangeably.

### DESCRIPTION OF CAO-MANAGED BOND PROGRAMS AND FINANCINGS

Please use Attachment 1 to indicate the type of financings for which you are applying. The General Obligation Bond Program of the City is not part of this RFQ, as it is anticipated that these bonds will be sold through a competitive method of sale.

#### 1. General Fund Lease Financing Program

Since the creation of the Municipal Improvement Corporation of Los Angeles (MICLA), a nonprofit financing corporation, in 1984, the City has issued certificates of participation, lease revenue bonds or similar financial instruments through MICLA at least annually. In addition to

long-term debt, the City has a \$425 million MICLA Commercial Paper (CP) Program and a \$100 million commercial paper program to support the Los Angeles Convention Center (“LACC”). MICLA issuances have been used for the acquisition and improvement of real property and capital equipment items. As of March 1, 2021, the outstanding MICLA principal balance was \$1.39 billion.

## **2. Land-Secured Assessment Financing Program**

The City periodically receives requests to create special districts for various types of infrastructure improvements. The City may also create special assessment districts, including Mello-Roos districts, to issue bonds. The City currently has Mello Roos bonds outstanding for the following Community Facility Districts (CFD) as of March 1, 2021: Pershing Square (CFD 1)--\$0.22 million, Cascades (CFD 3)--\$1.18 million, Playa Vista (CFD 4)--\$63.00 million, and Legends at Cascades (CFD 8)--\$5.52 million. In 2013, the City formed CFD 9 for the Downtown Streetcar, which is still in development and bonds have not yet been issued. The City also recently formed CFD 11 for Ponte Vista and is contemplating issuing up to \$30 million in debt to pay for public improvements in the fall of 2021. The City is also interested in pursuing refunding opportunities for previous issuances.

## **3. Solid Waste Resources Revenue Bond Program**

Over the past two decades, the City has completed numerous Sanitation Equipment Charge Revenue Bonds, now known as the Solid Waste Resources (SWR) Revenue Bond program. The proceeds from the issuance of SWR Revenue Bonds are used to finance the acquisition of certain capital equipment and real property to continue the City’s solid waste management and recycling efforts. As of March 1, 2021, the outstanding principal balance was \$164.5 million. The City may issue SWR Revenue Bonds over the next several years. The City is also interested in pursuing refunding opportunities for previous issuances.

## **4. Special Tax or Assessment District Financings**

In the past, the City has issued special tax and assessment supported debt. The City may decide to issue this type of debt during this engagement.

## **5. Wastewater System Revenue Bond Program**

Los Angeles voters approved the issuance of up to \$3.5 billion in revenue bonds to finance a portion of the City’s wastewater system capital improvement program consistent with the requirements of the former Charter. The current Charter, effective July 1, 2000, authorizes the issuance of bonds pursuant to a procedural ordinance. In 2013, the voter-approved limit was nearly reached and a procedural ordinance establishing the parameters for future bond issuances consistent with the current Charter was adopted by the Mayor and Council. The City’s wastewater system debt structure is comprised of long-term, fixed-rate bonds, variable rate demand bonds backed by a letter of credit, and commercial paper. The City also aggressively pursues refunding opportunities consistent with the City’s Debt Management Policy. As of March 1, 2021, the outstanding principal balance was \$2.62 billion. In addition to long-term debt, the City has a \$400 million in the CP Program authorization, but the maximum amount that can be issued under the existing LOCs is \$250 million.

## **6. Tax and Revenue Anticipation Notes**

The City annually issues tax and revenue anticipation notes (TRAN) to alleviate short-term cash flow needs that occur early in the fiscal year when certain taxes and revenues have not yet been received. In addition, the TRAN is issued to pre-pay the City’s two retirement systems’ annual contributions. This transaction can either be issued on a competitive or negotiated method of sale. In June 2020, the City issued \$1.76 billion in notes.

## **7. Remarketing Agents**

The City currently has three commercial paper programs (Wastewater System, MICLA and MICLA Convention Center) as well as a Wastewater System variable rate debt program.

## 8. Unique Transactions

From time to time, the City may also seek proposals for unique types of financing transactions such as public private partnerships (P3) or pension obligation bonds. There may also be other types of transactions that are unknown to the CAO at this time that may require investment banking advisory services.

## REQUIREMENTS

All proposers must answer the questions in Section A. Completion of Attachment 1 will determine which sections you will be completing, Sections B, C, D and/or E.

All questions must be completely addressed in the text of your submittal and be presented in the order of the questions in the RFQ. **Responses are limited to 15 single-sided pages and must be in 11-point Arial font with 1" (one-inch) margins and normal character and paragraph spacing. The City will not consider responses that do not meet these requirements.** Requested attachments will not count against the per section page limit. The CAO makes no assurances that any non-requested additional information in the exhibits will be considered.

Respondents shall be liable for all costs incurred in the preparation and submittal of their Statements of Qualifications, presentations, demonstrations and pre-contract negotiations. Respondents shall not include these costs or expenses as a part of their Statements of Qualifications.

### **Notice to Firms Regarding the Public Records Act**

Proposals made in response to this RFQ may contain data that constitute a trade secret. To protect such data from disclosure, the Proposer should specifically identify the pages of the proposal that contain confidential information by properly marking the applicable pages and inserting the following notice in the front of the proposal:

**"NOTICE:**

The data on the pages of this proposal identified by an asterisk (\*) or marked along the margin with a vertical line, contain information which are trade secrets. The Proposer requests that such data be used only for the evaluation of its proposal but understands that disclosure will be made to the extent that the City determines it is required under federal, state, and local law."

Proposals containing proprietary information, proprietary paragraphs and/or other trade secret data should be clearly marked as noted above. The Proposer must include one additional unbound copy of the proposal with the confidential material totally blacked out or removed from the text so that one copy is available as public material. In accordance with the California Public Records Act, this information may, upon request, be released to the public.

The City assumes no responsibility for disclosure or use of unmarked data for any purposes. In the event properly marked data are requested, the Proposer will be advised of the request and may expeditiously submit to the City a detailed statement indicating the reasons it has for believing that the information is exempt from disclosure under federal, state, and local law. This statement will be used by the City in making its determination as to whether or not disclosure is proper under federal, State, and local law. The City will exercise care in applying this confidentiality standard but will not be liable for any damage or injury that may result from any disclosure that may occur.

The Proposer agrees to assume and pay for all costs incurred by the City, including attorneys' fees awarded by a court, if Proposer requests the City to resist disclosure of material provided to the City by the Proposer, and the City does so. The City will resist disclosure only in the event that

the City determines the said materials are exempt under federal, State, or local law. Further, should the Proposer request that portions of the proposal remain confidential and not be disclosed, the Proposer must confirm the commitment to indemnify, defend and hold harmless the City of Los Angeles by including the following statement in the Letter of Transmittal:

“The Proposer agrees to defend and indemnify the City and its officers, employees, and agents, and hold them harmless from any claim, legal action or liability resulting from any action brought against the City for its refusal to disclose copyrighted material, trade secrets, or other proprietary information to any person making a request therefor.”

Failure to include such a statement shall constitute a waiver of a Proposer’s right to exemption from disclosure.

Note that wholesale use of headers/footers bearing designations such as “confidential”, “proprietary”, or “trade secret” on all or nearly all of a proposal is not acceptable and may be deemed by the City as a waiver of any exemption claim. The identification of exempt information must be more specific.

### **Conflicts of Interest**

The Proposer under any contract resulting from this RFQ (the “Contractor”) will be subject to Section 1090 of the California Government Code. California Government Code Section 1090 governs potential conflicts of interests involving public agencies within the State of California, and the Contractor must comply with the State conflicts laws, including but not limited to Government Code Section 1090, at all times in connection with the services provided by the Contractor pursuant to any contract resulting from this RFQ. In addition to the Contractor itself, officers and employees of the Contractor who perform work for the City pursuant to any contract resulting from this RFQ are subject to and shall comply with California Government Code Section 1090 and other applicable State conflicts laws relating to conflicts of interests. The Contractor and Contractor's officers and employees are hereby advised to obtain independent legal counsel in order to fully understand the penalties for violating Government Code Section 1090 and the other State conflicts laws, including criminal prosecution.

In brief, Government Code Section 1090 prohibits, among other things, a Contractor from having a financial interest in any contract which results, directly or indirectly, from the services provided by the Contractor. The Contractor and Contractor's parent, subsidiaries, affiliates, officers and employees agree that they will not have any future business or financial interest in any aspect of any contract which results, directly or indirectly, from services provided by the Contractor pursuant to a contract resulting from this RFQ, other than its work for the City as advisor pursuant to the terms of such contract. Contractor further agrees that neither it nor its parent, subsidiaries or affiliates, officers or employees will participate in any transaction relating to the services provided by the Contractor pursuant to any contract resulting from this RFQ on behalf of any actual or potential private party.

If the Contractor (including its parent, subsidiaries affiliates, officers, and employees) is in a position to receive future employment, business, financial remuneration or other interest or benefit, from a bidder to a subsequent City contract, the Contractor immediately shall inform the City's authorized representative in writing of the circumstances. In addition, if the Contractor, its parent, subsidiary, affiliates, officers or employees is or has been the subject of a discussion of future employment or benefit, or if the Contractor has reason to believe such an arrangement may arise in the future, the Contractor immediately shall inform the City's authorized representative in writing of the circumstances. Finally, if the Contractor has reason to believe that any other situation exists which might be viewed as or give the appearance of a conflict of interest, the Contractor immediately shall inform the City's authorized representative in writing of such situation giving the full details thereof.

Execution of a contract resulting from this RFQ shall constitute a representation by the Contractor that, at the time of such execution, the Contractor knows of no circumstances, present or anticipated, which come within the provisions of Government Code Section 1090 or which might otherwise be viewed as or give the appearance of a conflict of interest on the part of the Contractor, its parent, subsidiaries, affiliates, officers or employees.

## **STATEMENT OF QUALIFICATIONS' REQUIREMENTS, CONTENT AND FORM**

### **1. Cover Letter**

Include a one (1) page letter transmitting the Statement of Qualifications and indicating the name, address and telephone numbers of the person(s) authorized to sign for and make representations on behalf of the firm. Also include the name of the firm and team leader, including mailing address, telephone numbers, and e-mail address. Please include this language and sign the letter with the authorized representative:

“The Proposer agrees to defend and indemnify the City and its officers, employees, and agents, and hold them harmless from any claim, legal action or liability resulting from any action brought against the City for its refusal to disclose copyrighted material, trade secrets, or other proprietary information to any person making a request therefor.”

In your cover letter, please indicate which types of financings your firm is applying to support and please indicate your firm's preference to serve as either a senior manager or co-manager only.

### **2. Table of Contents**

Include a Table of Contents of the material presented in the Statement of Qualifications showing the applicable page numbers.

### **3. Format**

To simplify the evaluation process, responses must be submitted in the format described in each section of this RFQ, both as to sequence and content. Each point of each question must be answered. To maximize space for responses, responders should not restate the questions in their responses. Per the “Requirements” section, responders are **required to use 11-point Arial font, 1” (one-inch) margins, and normal character and paragraph spacing** for their responses.

### **4. Page Limit**

Responses are limited to **15 pages**, as described above, excluding the cover letter, table of contents, and requested attachments, including required City forms and Standard Provisions.

### **5. Contracting Requirements**

Complete and submit the forms described below and as provided in Attachments 2 and 3. Firms selected must comply with these requirements to enter into a contract with the CAO. Show compliance with the requirements of the Standard Provisions for City Contracts and the insurance requirements (see Attachment 2). **Forms will not count towards your total page limit.**

- Child Support Ordinance, Los Angeles Administrative Code Section 10.10
- Contractor Responsibility Questionnaire
- Iran Contracting Act Compliance Affidavit
- Los Angeles Residence Information
- Non-Collusion Affidavit, Los Angeles City Charter Section 386
- W-9 form
- Business Tax Registration Certificate

- City Ethics Form 50 – Bidder Certification
- City Ethics Form 55 – Bidder Contributions, Los Angeles City Charter Section 470(c)(12)
- Corporate Citizenship Requirement under the Responsible Banking Ordinance (Attachment 3)

Failure to comply with these provisions or submit all the required forms may result in disqualification of the Statement of Qualifications or deductions in the overall evaluation.

## TENTATIVE SCHEDULE FOR REQUEST FOR QUALIFICATIONS

Distribution of RFQ.....	March 10, 2021
Last Questions Due.....	April 7, 2021
Statement of Qualifications Due.....	<b>4:00 p.m. PT, April 21, 2021</b>
Interviews by the City Concluded.....	By July 14, 2021
Mayor and City Council Approval of Selected Firms.....	By August 13, 2021

## INFORMATION TO BE SUBMITTED

Every firm must respond to Section A. Please indicate in Attachment 1 for which programs you are responding and which type of financing. This will determine which sections to complete, Sections A, B, C, D and/or E..

### **Section A: General Qualifications - All Respondents (up to three (3) pages)**

1. Provide a brief description of the firm by providing the information requested below:
  - a. What is your firm’s legal structure, headquarters location, physical presence within the City of Los Angeles, state the length of time the firm has been in business, and how long the firm has met the requirements of MSRB Rule G-2 as a municipal Broker-Dealer. What percentage of your firm’s employees are public finance employees?
  - b. Describe your firm’s commitment to its location in the City. Since January 1, 2017, has your firm relocated any municipal bond professionals from offices in the City to locations outside of the City?
  - c. Describe your firm’s corporate citizenship and commitment to the City, development or participation in charitable programs or scholarships, and policies with regard to the use of women-owned, minority-owned and disadvantaged business enterprises. Please complete this information on Attachment 3, which will also be posted on the CAO’s website in compliance with the Responsible Banking Ordinance (Ordinance No. 185670, [https://clkrep.lacity.org/onlinedocs/2009/09-0234-S3 ORD 185670 7-9-18.pdf](https://clkrep.lacity.org/onlinedocs/2009/09-0234-S3_ORD_185670_7-9-18.pdf)).
  - d. Does your firm procure goods and services within the City of Los Angeles?
  - e. Does your firm pay City taxes, and, if so, what type of taxes? Describe any existing disputes or proceedings between your firm and the City regarding the payment of taxes. Please attach a copy of your Business Tax Registration Certificate (BTRC). If you do not have a BTRC, please visit the Office of Finance website, <http://finance.lacity.org>, to register.

- f. If applicable, please provide proof of certification with your response to qualify as an MBE/WBE/SBE/EBE/DVBE/OBE firm.
  - g. Does your firm have an Environmental, Social and Governance (“ESG”) policy that governs the firm’s business activities? If yes, please attach a copy as an appendix. Does your firm evaluate its ESG performance with ratings and metrics? If so, please provide the rubric or scorecard used by your firm in an appendix.
2. Identify the day-to-day contact and back-up day-to-day contact who will have primary responsibility for your firm’s relationship with the City. Provide a resume of each individuals’ experience, specifying whether such experience was obtained while employed at another financial institution. Also, please include each individual’s office location. Provide the name and a brief summary of the relevant experience of the individuals who will serve as the head underwriter and/or sales manager for the City’s long-term fixed rate debt and short-term/variable rate debt. Resumes for any other team members who will be serving the City should be included as an attachment to your Statement of Qualifications. This attachment shall not exceed **3** pages. Please complete and include Attachment 4 with information regarding your entire proposed financing team.
3. Indicate whether your firm or any personnel proposed to work on the City’s transactions have received any disciplinary actions (fines, suspensions, etc.) by the Securities and Exchange Commission (SEC), National Association of Securities Dealers (NASD), Financial Industry Regulatory Agency (FINRA) or any other federal or state regulatory body, over the past five years. Provide a description of such disciplinary actions and any supplemental information regarding disciplinary actions as a one-page attachment.
4. In the past two years, on a senior managed transaction, what are the three largest positions the firm has underwritten and held in inventory and for how long? List the issuer, amount, type of bond (i.e. serial, term, etc.) and how long each position was held in inventory. Please provide the most recent financial information for your firm, which shows the total capital, equity capital, net capital and uncommitted (excess net) capital as of December 31, 2020, December 31, 2019 and December 31, 2018. Based on your excess net capital, what is your firm’s maximum long-term underwriting capacity for a single transaction?
5. Provide your firm’s best example of a financing in which your firm added significant value as a co-manager by providing greater than expected technical or banking expertise for the issuer or in the marketing of the bonds (i.e. how many orders did your firm place?).
6. Please provide an example of how your firm used its retail distribution capabilities to support a bond pricing. Specify if your firm used in-house retail distribution or retail distribution agreements.
7. State how your firm can or has increased participation of emerging firms in your financings. Please give specific examples.

**Section B: Investment Banking Qualifications for Long-Term Debt (up to four (4) pages)**

1. What are your firm’s recommendations to the City to optimize its lease revenue, solid waste resources revenue, and wastewater system revenue obligation portfolios and lower its overall cost of funds? In what way is your firm uniquely qualified to help the City execute on these recommendations? While preparing your response, please confirm that any recommendations you propose are in alignment with the City’s financial policies (included as Attachment 8 to this RFQ).

2. If you are applying as senior manager, please prepare a sample investor presentation for a proposed Solid Waste Resources Revenue Program new money transaction using the City's Continuing Disclosure Annual Report (<https://emma.msrb.org/P21441526-P21119136-P21530428.pdf>). Firms applying to serve as co-manager only do not need to respond to this question. This can be included as an Appendix.
3. Please complete Attachments 5 and 6, respectively, describing your firm's experience serving as an underwriter for municipal bond issuers in California and nationwide since January 2016, highlighting experience with the City's long-term debt (including assessment bonds, lease obligations and revenue bonds). If your day-to-day contact or lead underwriter have experience with the City or other California issuers since January 2016 while working for another firm, you may include the experience and indicate that it was while at another firm.

**Section C: Investment Banking Qualifications for Remarketing Agents for Variable Rate Debt and Commercial Paper and Other Short-Term Debt (up to four (4) pages)**

1. Variable Rate Demand Obligations (VRDO)
  - a. Please provide any recommendations you have for the City to further optimize its floating rate bond portfolio. Indicate if there are VRDO opportunities that the City should consider for debt programs other than the Wastewater System Resources Revenue Program. In what way is your firm uniquely qualified to help the City execute on these recommendations? While preparing your response, please confirm that any recommendations you propose are in alignment with the City's financial policies (included as an attachment to this RFQ).
  - b. Describe your firm's remarketing agent experience with municipal floating-rate bonds in California and nationwide. In your response, please include the date of sale, issuer, par amount and if your firm was a senior or co-manager. In addition, discuss your firm's experience with any new variable rate structures or products. If your day-to-day contact or lead underwriter has experience with the City or other California issuers from a prior role between now and January 2017, please include experience and indicate that it was while at another firm.
2. Short-Term Notes (i.e. Tax and Revenue Anticipation Notes)
  - a. Please provide your thoughts regarding how the City should structure its future tax and revenue anticipation notes, including fixed vs. variable rate, method of sale and credit and investor considerations.
  - b. Describe your firm's experience serving as an underwriter for short-term notes such as the tax and revenue anticipation notes, highlighting California and City financings, since 2017. In your response, please include the date of sale, issuer, par amount, and if your firm was senior or co-manager. If your day-to-day contact or lead underwriter has experience with the City or other California issuers from a prior role between now and January 2017, please include experience and indicate that it was while at another firm.
3. Commercial Paper
  - a. Describe the firm's experience as a broker-dealer during the past three years for municipal issuers of tax-exempt and taxable commercial paper issues, including a list of commercial paper transactions, separating tax-exempt and taxable paper, as an attachment. Please highlight specific experience with the City's programs. If

your day-to-day contact or lead underwriter has experience with the City or other California issuers from a prior role between now and January 2017, please include experience and indicate that it was while at another firm.

- b. Describe the services that your firm will provide as broker-dealer. Describe your firm's manual and automated systems for tracking commercial paper rolls. Include descriptions of the types and availability of reports.

**Section D: Investment Banking Qualifications for Land-Secured Assessment Financings (up to two (2) pages)**

1. Please provide any recommendations your firm has for the City's land-secured assessment portfolio. How has your firm successfully applied these ideas for other issuers? In what way is your firm uniquely qualified to help the City execute on these recommendations?
2. Describe your firm's experience serving as an underwriter for land-secured assessment financings in California since January 2011, including the date of sale, issuer, par amount and if your firm was a senior or co-manager. If your day-to-day contact or lead underwriter has experience with the City or other California issuers from a prior role between now and January 2011, please include experience and indicate that it was while at another firm.

**Section E: Investment Banking Qualifications for Unique Financing Transactions such as Public/Private Partnerships and Pension Obligation Bonds (up to two (2) pages)**

1. Provide your experience with public/private partnerships. Describe your firm's role in the transaction, whether as an underwriter or financial advisor. What public/private partnership opportunities would your firm recommend the City to pursue?
2. Based on your understanding of the City and its pension systems, please provide your thoughts about debt financing the Unfunded Actuarial Liability (UAL).
3. Please provide thoughts regarding any new financing ideas or financing programs not currently employed by the City that it could implement to lower its overall cost of funds or annual debt service.

**Section F: References**

Please provide one reference for each program for which you are applying:

- Long-term debt – Lease Revenue Bonds
- Long-term debt – Revenue Bonds
- Land secured financing
- Short-term debt – VRDO remarketing agent, Commercial Paper dealer, other short-term note
- Unique financing

References should be from issuers for whom the firm has provided related services and should be specific to the banking and underwriting team responsible for the City's account. Underwriters should request that their references complete the reference form included in Attachment 7 and send via email to [cao.debt@lacity.org](mailto:cao.debt@lacity.org) by April 21, 2021. Underwriters will not be disqualified if their references do not complete the form by the due date. However, it should be expected that the City will follow up with the issuer on behalf of the underwriter for the reference if it is not received by the due date.

## **ADDITIONAL MATERIALS**

The City's continuing disclosure filings can be found on EMMA. For further information regarding the CAO and its bond programs, please see the CAO's website at <http://cao.lacity.org/debt>.

## **SELECTION PROCESS**

The CAO reserves the sole right to judge the contents of all Statements of Qualifications. Firms that submit Statements of Qualifications that, in the CAO's sole discretion, are incomplete and/or do not follow content and format guidelines may be disqualified without further consideration. Failure of a Proposer to specifically respond to each RFQ item, or any other information requested by the City, may be grounds for rejecting a proposal in its entirety.

After receipt of a proposal, but prior to award of any contract, the City, at its sole discretion, may require any or all Proposers to submit additional information and/or to meet with City personnel via video conference.

The City, at its option, may reject any and all submissions in response to this RFQ, or waive any informality in a proposal when to do so would be to the advantage to the City.

**Please read this RFQ carefully and follow all instructions to ensure compliance with City requirements and requests for information.** The specific requirements, instructions to firms and qualifications evaluation methodology are described in detail in this RFQ. Based on a review and evaluation of the information submitted, the CAO will recommend to the Mayor and City Council the selection of specific underwriters for the qualified list.

### **Statement of Qualifications Evaluation**

The Statements of Qualifications will be evaluated based on the following factors:

- (i) **General Firm Qualifications (25%):** Includes personnel assigned to work on the City's financing transactions
- (ii) **Experience with Specific Financing Transactions (50%):** Ability to structure and issue securities to achieve the lowest true interest cost. To be considered for the work, firms must demonstrate knowledge and/or experience with similar transactions. Additionally, firms should have references that can attest to the quality of the firms' past work.
- (iii) **Firm's Understanding of the City and Ability to Address Financing Needs (25%):** Appropriateness of analysis and recommendations for City financings, taking City's debt policy and constraints into consideration

### **Interview**

After an initial review of qualifications, the City may, at its sole discretion, conduct interviews of firms to further delineate their qualifications and experience. Firms may not be contacted for an interview if the City believes it has sufficient information to rate them.

## SUBMITTALS

**Acceptance of submittals delivered after the stated deadline will be at the CAO's sole discretion.**

Firms should email the full submittal, including all required forms, and a redacted copy to [cao.debt@lacity.org](mailto:cao.debt@lacity.org) by 4:00 pm PT on April 21, 2021.

All materials submitted in accordance with this RFQ become the property of the City and will not be returned. The City reserves the rights to cancel this RFQ, reject any and all submittals and to waive irregularities. The City and its advisors will not be liable for any costs associated with your firm's preparation of its response to this RFQ. Nothing in this RFQ, the responses or the City's acceptances of any response in whole or in part shall obligate the City to complete negotiations with the related respondent. The City will not provide an engagement letter to any respondent. The City reserves the right to end, at its sole discretion, negotiation with any respondent at any time up to the consummation of the transaction arising from this RFQ. The City reserves the right to conduct independent reviews in addition to the information submitted by your firm.

The City reserves the right in its sole discretion to select the firms and the nature of their engagement for each transaction as deemed appropriate by the City. **There is no guarantee that every firm selected to be on the City's list of qualified firms will be awarded a contract during the life of the list.**

Any contact with CAO staff, elected Officials or any City personnel related to this RFQ prior to the formal appointment of firms to the qualified list is expressly **prohibited** without the consent of the CAO representative, Ha To or Zara Bukirin. Any firm violating this request will be excluded from the selection process. If you have any questions regarding this RFQ, please feel free to contact Ha To or Zara Bukirin by e-mail at [cao.debt@lacity.org](mailto:cao.debt@lacity.org). All questions and answers will be posted as addenda to the RFQ on LABAVN.

Sincerely,



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Richard H. Llewellyn, Jr.  
City Administrative Officer

RHL:ZMB:09210100

### Attachments

- Attachment 1: Types of Financings
- Attachment 2: Required City Forms, Standard Provisions and Insurance Requirements
- Attachment 3: Corporate Citizenship Requirement under the Responsible Banking Ordinance
- Attachment 4: Personnel Experience
- Attachment 5: Issuers inside of California since January 2016
- Attachment 6: Issuers outside of California since January 2016
- Attachment 7: Reference Evaluation
- Attachment 8: City of Los Angeles Debt Policy

# **ATTACHMENT 1**

## **Types of Financings**

**TYPES OF FINANCINGS**

City of Los Angeles  
Request for Qualifications for Investment Banking Services

All firms seeking to serve as senior and/or co-manager must select the type of financings for which they are applying.

- | Senior Manager           | Co-manager               |   |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | <b>1. General Fund Lease Financings</b>                 |
| <input type="checkbox"/> | <input type="checkbox"/> | <b>2 Judgment Obligation Bond Program</b>               |
| <input type="checkbox"/> | <input type="checkbox"/> | <b>3. Land-Secured Assessment Financings</b>            |
| <input type="checkbox"/> | <input type="checkbox"/> | <b>4. Solid Waste Resources Revenue Bond Program</b>    |
| <input type="checkbox"/> | <input type="checkbox"/> | <b>5. Special Tax or Assessment District Financings</b> |
| <input type="checkbox"/> | <input type="checkbox"/> | <b>6. Wastewater System Revenue Bond Program</b>        |
| <input type="checkbox"/> | <input type="checkbox"/> | <b>7. Tax and Revenue Anticipation Notes</b>            |
| <input type="checkbox"/> | <input type="checkbox"/> | <b>8. Unique Financing</b>                              |

---

Indicate if you are applying to serve as a Remarketing Agent and/or Commercial Paper Dealer.

- 9. Remarketing Agent**
  
- 10. Commercial Paper Dealer**

## **ATTACHMENT 2**

### **Required City Forms, Standard Provisions for City Contracts And Insurance Requirements**

**A. Child Support Ordinance, Los Angeles  
Administrative Code Section 10.10**

**City of Los Angeles**

**CERTIFICATION OF COMPLIANCE WITH CHILD SUPPORT  
OBLIGATIONS**

**This document must be returned with the Proposal/Bid Response**

The undersigned hereby agrees that \_\_\_\_\_ will:  
Name of Business

1. Fully comply with all applicable State and Federal employment reporting requirements for its employees.
2. Fully comply with and implement all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment.
3. Certify that the principal owner(s) of the business are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally.
4. Certify that the business will maintain such compliance throughout the term of the contract.

I declare under penalty of perjury that the foregoing is true and was executed at:

\_\_\_\_\_  
City/County/State

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name of Business

\_\_\_\_\_  
Address

\_\_\_\_\_  
Signature of Authorized Officer or Representative

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Telephone Number

## **B. Contractor Responsibility Questionnaire**

**CITY OF LOS ANGELES  
RESPONSIBILITY QUESTIONNAIRE**

**RESPONSES TO THE QUESTIONS CONTAINED IN THIS QUESTIONNAIRE MUST BE SUBMITTED ON THIS FORM.** In responding to the Questionnaire, neither the City form, nor any of the questions contained therein, may be retyped, recreated, modified, altered, or changed in any way, in whole or in part. Bidders or Proposers that submit responses on a form that has been retyped, recreated, modified, altered, or changed in any way shall be deemed non-responsive.

The signatory of this Questionnaire guarantees the truth and accuracy of all statements and answers to the questions herein. Failure to complete and return this questionnaire, any false statements, or failure to answer (a) question(s) when required, may render the bid/proposal non-responsive. All responses must be typewritten or printed in ink. Where an explanation is required or where additional space is needed to explain an answer, use the Responsibility Questionnaire Attachments. Submit the completed form and all attachments to the awarding authority. Retain a copy of this completed form for future reference. Contractors must submit updated information to the awarding authority if changes have occurred that would render any of the responses inaccurate in any way. Updates must be submitted to the awarding authority within 30 days of the change(s).

**A. CONTACT INFORMATION**

CITY DEPARTMENT INFORMATION

City Department/Division Awarding Contract	City Contact Person	Phone
--	---------------------	-------

City Bid or Contract Number (if applicable) and Project Title
---

BIDDER/CONTRACTOR INFORMATION

Bidder/Proposer Business Name
-------------------------------

Street Address	City	State	Zip
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Contact Person, Title	Phone	Fax
-----------------------	-------	-----

**TYPE OF SUBMISSION:**

The Questionnaire being submitted is:

- An initial submission of a completed Questionnaire.
- An update of a prior Questionnaire dated \_\_\_\_/\_\_\_\_/\_\_\_\_.
- No change. I certify under penalty of perjury under the laws of the State of California that there has been no change to any of the responses since the last Responsibility Questionnaire dated \_\_\_\_/\_\_\_\_/\_\_\_\_ was submitted by the firm. Attach a copy of that Questionnaire and sign below.

Print Name, Title	Signature	Date
-------------------	-----------	------

**TOTAL NUMBER OF PAGES SUBMITTED, INCLUDING ALL ATTACHMENTS:** \_\_\_\_\_

**B. BUSINESS ORGANIZATION/STRUCTURE**

Indicate the organizational structure of your firm. "Firm" includes a sole proprietorship, corporation, joint venture, consortium, association, or any combination thereof.

**Corporation:** Date incorporated: \_\_\_\_/\_\_\_\_/\_\_\_\_ State of incorporation: \_\_\_\_\_

List the corporation's current officers.

President: \_\_\_\_\_

Vice President: \_\_\_\_\_

Secretary: \_\_\_\_\_

Treasurer: \_\_\_\_\_

Check the box only if your firm is a publicly traded corporation.

List those who own 5% or more of the corporation's stocks. Use Attachment A if more space is needed. Publicly traded corporations need not list the owners of 5% or more of the corporation's stocks.

\_\_\_\_\_  
\_\_\_\_\_

**Limited Liability Company:** Date of formation: \_\_\_\_/\_\_\_\_/\_\_\_\_ State of formation: \_\_\_\_\_

List members who own 5% or more of the company. Use Attachment A if more space is needed.

\_\_\_\_\_  
\_\_\_\_\_

**Partnership:** Date formed: \_\_\_\_/\_\_\_\_/\_\_\_\_ State of formation: \_\_\_\_\_

List all partners in your firm. Use Attachment A if more space is needed.

\_\_\_\_\_  
\_\_\_\_\_

**Sole Proprietorship:** Date started: \_\_\_\_/\_\_\_\_/\_\_\_\_

List any firm(s) that you have been associated with as an owner, partner, or officer for the last five years. Use Attachment A if more space is needed. Do not include ownership of stock in a publicly traded company in your response to this question.

\_\_\_\_\_  
\_\_\_\_\_

**Joint Venture:** Date formed: \_\_\_\_/\_\_\_\_/\_\_\_\_

List: (1) each firm that is a member of the joint venture and (2) the percentage of ownership the firm will have in the joint venture. Use Attachment A if more space is needed. **Each member of the Joint Venture must complete a separate Questionnaire for the Joint Venture's submission to be considered as responsive to the invitation.**

\_\_\_\_\_  
\_\_\_\_\_

**C. OWNERSHIP AND NAME CHANGES**

1. Is your firm a subsidiary, parent, holding company, or affiliate of another firm?

Yes     No

If **Yes**, explain on Attachment A the relationship between your firm and the associated firms. Include information about an affiliated firm only if one firm owns 50% or more of another firm, or if an owner, partner or officer of your firm holds a similar position in another firm.

2. Has any of the firm's owners, partners, or officers operated a similar business in the past five years?

Yes     No

If **Yes**, list on Attachment A the names and addresses of all such businesses, and the person who operated the business. Include information about a similar business only if an owner, partner or officer of your firm holds a similar position in another firm.

3. Has the firm changed names in the past five years?

Yes     No

If **Yes**, list on Attachment A all prior names, addresses, and the dates they were used. Explain the reason for each name change in the last five years.

4. Are any of your firm's licenses held in the name of a corporation or partnership?

Yes     No

If Yes, list on Attachment A the name of the corporation or partnership that actually holds the license.

**Bidders/Contractors must continue on to Section D and answer all remaining questions contained in this Questionnaire.**

**The responses to the remaining questions in this Questionnaire will not be posted on the internet but will be made available to the public for review upon request. Contact the appropriate Designated Administrative Agency.**

**D. FINANCIAL RESOURCES AND RESPONSIBILITY**

5. Is your firm now, or has it ever been at any time in the last five years, the debtor in a bankruptcy case?

Yes     No

If **Yes**, explain on Attachment B the circumstances surrounding each instance.

6. Is your company in the process of, or in negotiations toward, being sold?

Yes     No

If **Yes**, explain the circumstances on Attachment B.

**E. PERFORMANCE HISTORY**

7. How many years has your firm been in business? \_\_\_\_\_ Years.

8. Has your firm ever held any contracts with the City of Los Angeles or any of its departments?

Yes     No

If, **Yes**, list on an Attachment B all contracts your firm has had with the City of Los Angeles for the last 10 years. For each contract listed in response to this question, include: (a) entity name; (b) purpose of contract; (c) total cost; (d) starting date; and (e) ending date.

9. List on Attachment B all contracts your firm has had with any private or governmental entity (other than the City of Los Angeles) over the last five years that are similar to the work to be performed on the contract for which you are bidding or proposing. For each contract listed in response to this question, include: (a) entity name; (b) purpose of contract; (c) total cost; (d) starting date; and (e) ending date.

Check the box if you have not had any similar contracts in the last five years

10. In the past five years, has a governmental or private entity or individual terminated your firm's contract prior to completion of the contract?

Yes     No

If **Yes**, explain on Attachment B the circumstances surrounding each instance.

11. In the past five years, has your firm used any subcontractor to perform work on a government contract when you knew that the subcontractor had been debarred by a governmental entity?

Yes     No

If **Yes**, explain on Attachment B the circumstances surrounding each instance.

12. In the past five years, has your firm been debarred or determined to be a non-responsible bidder or contractor?

Yes     No

If **Yes**, explain on Attachment B the circumstances surrounding each instance.

**F. DISPUTES**

13. In the past five years, has your firm been the defendant in court on a matter related to any of the following issues? For parts (a) and (b) below, check **Yes** even if the matter proceeded to arbitration without court litigation. For part (c), check **Yes** only if the matter proceeded to court litigation. If you answer **Yes** to any of the questions below, explain the circumstances surrounding each instance on Attachment B. You must include the following in your response: the name of the plaintiffs in each court case, the specific causes of action in each case; the date each case was filed; and the disposition/current status of each case.

(a) Payment to subcontractors?

**Yes**     **No**

(b) Work performance on a contract?

**Yes**     **No**

(c) Employment-related litigation brought by an employee?

**Yes**     **No**

14. Does your firm have any outstanding judgements pending against it?

**Yes**     **No**

If **Yes**, explain on Attachment B the circumstances surrounding each instance.

15. In the past five years, has your firm been assessed liquidated damages on a contract?

**Yes**     **No**

If **Yes**, explain on Attachment B the circumstances surrounding each instance and identify all such projects, the amount assessed and paid, and the name and address of the project owner.

**G. COMPLIANCE**

16. In the past five years, has your firm or any of its owners, partners or officers, ever been investigated, cited, assessed any penalties, or been found to have violated any laws, rules, or regulations enforced or administered, by any of the governmental entities listed on Attachment C (Page 9)? For this question, the term "owner" does not include owners of stock in your firm if your firm is a publicly traded corporation.

**Yes**     **No**

If **Yes**, explain on Attachment B the circumstances surrounding each instance, including the entity that was involved, the dates of such instances, and the outcome.

17. If a license is required to perform any services provided by your firm, in the past five years, has your firm, or any person employed by your firm, been investigated, cited, assessed any penalties, subject to any disciplinary action by a licensing agency, or found to have violated any licensing laws?

**Yes**     **No**

If **Yes**, explain on Attachment B the circumstances surrounding each instance in the last five years.

**SERVICE**

18. In the past five years, has your firm, any of its owners, partners, or officers, ever been penalized or given a letter of warning by the City of Los Angeles for failing to obtain authorization from the City for the substitution of a Minority-owned (MBE), Women-owned (WBE), or Other (OBE) business enterprise?

**Yes**     **No**

If **Yes**, explain on Attachment B the circumstances surrounding each instance in the last five years.

**H. BUSINESS INTEGRITY**

19. For questions (a), (b), and (c) below, check **Yes** if the situation applies to your firm. For these questions, the term “firm” includes any owners, partners, or officers in the firm. The term “owner” does not include owners of stock in your firm if the firm is a publicly traded corporation. If you check **Yes** to any of the questions below, explain on Attachment B the circumstances surrounding each instance.

(a) Is a governmental entity or public utility currently investigating your firm for making (a) false claim(s) or material misrepresentation(s)?

**Yes**     **No**

(b) In the past five years, has a governmental entity or public utility alleged or determined that your firm made (a) false claim(s) or material misrepresentation(s)?

**Yes**     **No**

(c) In the past five years, has your firm been convicted or found liable in a civil suit for, making (a) false claim(s) or material misrepresentation(s) to any governmental entity or public utility?

**Yes**     **No**

20. In the past five years, has your firm or any of its owners or officers been convicted of a crime involving the bidding of a government contract, the awarding of a government contract, the performance of a government contract, or the crime of fraud, theft, embezzlement, perjury, bribery? For this question, the term “owner” does not include those who own stock in a publicly traded corporation.

**Yes**     **No**

If **Yes**, explain on Attachment B the circumstances surrounding each instance.

**CERTIFICATION UNDER PENALTY OF PERJURY**

I certify under penalty of perjury under the laws of the State of California that I have read and understand the questions contained in this questionnaire and the responses contained on all Attachments. I further certify that I have provided full and complete answers to each question, and that all information provided in response to this Questionnaire is true and accurate to the best of my knowledge and belief.

---

Print Name, Title

Signature

Date

**ATTACHMENT A FOR SECTIONS A THROUGH C**

Where additional information or an explanation is required, use the space below to provide the information or explanation. Information submitted on this sheet must be typewritten or printed in ink. Include the number of the question for which you are submitting additional information. Information submitted on this Attachment in response to Questions in Sections A through C will be posted on the internet for public review. Make copies of this Attachment if additional pages are needed.

Page \_\_\_\_\_

**ATTACHMENT B FOR SECTIONS D THROUGH H**

Where additional information or an explanation is required, use the space below to provide the information or explanation. Information submitted on this sheet must be typewritten or printed in ink. Include the number of the question for which you are submitting additional information. Information submitted on this Attachment in response to Questions in Sections D through H will not be posted on the internet but will be made available to the public for review upon request. Make copies of this Attachment if additional pages are needed.

Page \_\_\_\_\_

**ATTACHMENT C: GOVERNMENTAL ENTITIES FOR QUESTION NO. 16**

Check **Yes** in response to Question No. 16 if your firm or any of its owners, partners or officers, have ever been investigated, cited, assessed any penalties, or found to have violated any laws, rules, or regulations enforced or administered, by any of the governmental entities listed below (or any of its subdivisions), including but not limited to those examples specified below. The term “owner” does not include owners of stock in your firm if your firm is a publicly traded corporation. If you answered **Yes**, provide an explanation on Attachment B of the circumstances surrounding each instance, including the entity involved, the dates of such instances, and the outcome.

**FEDERAL ENTITIES****Federal Department of Labor**

- American with Disabilities Act
- Immigration Reform and Control Act
- Family Medical Leave Act
- Fair Labor Standards Act
- Davis-Bacon and laws covering wage requirements for federal government contract workers
- Migrant and Seasonal Agricultural Workers Protection Act
- Immigration and Naturalization Act
- Occupational Safety and Health Act
- anti-discrimination provisions applicable to government contractors and subcontractors
- whistleblower protection laws

**Federal Department of Justice**

- Civil Rights Act
- American with Disabilities Act
- Immigration Reform and Control Act of 1986
- bankruptcy fraud and abuse

**Federal Department of Housing and Urban Development (HUD)**

- anti-discrimination provisions in federally subsidized/assisted/sponsored housing programs
- prevailing wage requirements applicable to HUD related programs

**Federal Environmental Protection Agency**

- Environmental Protection Act

**National Labor Relations Board**

- National Labor Relations Act

**Federal Equal Employment Opportunity Commission**

- Civil Rights Act
- Equal Pay Act
- Age Discrimination in Employment Act
- Rehabilitation Act
- Americans with Disabilities Act

**STATE ENTITIES****California's Department of Industrial Relations**

- wage and labor standards, and licensing and registration
- occupational safety and health standards
- workers' compensation self insurance plans
- Workers' Compensation Act
- wage, hour, and working standards for apprentices
- any provision of the California Labor Code

**California's Department of Fair Employment and Housing**

- California Fair Employment and Housing Act
- Unruh Civil Rights Act
- Ralph Civil Rights Act

**California Department of Consumer Affairs**

- licensing, registration, and certification requirements
- occupational licensing requirements administered and/or enforced by any of the Department's boards, including the Contractors' State Licensing Board

**California's Department of Justice****LOCAL ENTITIES**

**City of Los Angeles** or any of its subdivisions for violations of any law, ordinance, code, rule, or regulation administered and/or enforced by the City, including any letters of warning or sanctions issued by the City of Los Angeles for an unauthorized substitution of subcontractors, or unauthorized reductions in dollar amounts subcontracted.

**OTHERS**

**Any other federal, state, local governmental entity** for violation of any other federal, state, or local law or regulation relating to wages, labor, or other terms and conditions of employment.

## **C. Iran Contracting Act Compliance Affidavit**

# **IRAN CONTRACTING ACT OF 2010 COMPLIANCE AFFIDAVIT**

(California Public Contract Code Sections 2200-2208)

The California Legislature adopted the Iran Contracting Act of 2010 to respond to policies of Iran in a uniform fashion (PCC § 2201(q)). The Iran Contracting Act prohibits bidders engaged in investment activities in Iran from bidding on, submitting proposals for, or entering into or renewing contracts with public entities for goods and services of one million dollars (\$1,000,000) or more (PCC § 2203(a)). A bidder who “engages in investment activities in Iran” is defined as either:

1. A bidder providing goods or services of twenty million dollars (\$20,000,000) or more in the energy sector of Iran, including provision of oil or liquefied natural gas tankers, or products used to construct or maintain pipelines used to transport oil or liquefied natural gas, for the energy sector of Iran; **or**
2. A bidder that is a financial institution (as that term is defined in 50 U.S.C. § 1701) that extends twenty million dollars (\$20,000,000) or more in credit to another person, for 45 days or more, if that person will use the credit to provide goods or services in the energy sector in Iran and is identified on a list created by the California Department of General Services (DGS) pursuant to PCC § 2203(b) as a person engaging in the investment activities in Iran.

The bidder shall certify that at the time of submitting a bid for new contract or renewal of an existing contract, the bidder is **not** identified on the DGS list of ineligible businesses or persons and that the bidder is **not** engaged in investment activities in Iran in violation of the Iran Contracting Act of 2010.

**California law establishes penalties for providing false certifications, including civil penalties equal to the greater of \$250,000 or twice the amount of the contract for which the false certification was made; contract termination; and three-year ineligibility to bid on contracts (PCC § 2205).**

To comply with the Iran Contracting Act of 2010, the bidder shall provide its vendor or financial institution name, and City Business Tax Registration Certificate (BRTC) if available, in completing **ONE** of the options shown below.

## **OPTION #1: CERTIFICATION**

I, the official named below, certify that I am duly authorized to execute this certification on behalf of the bidder or financial institution identified below, and that the bidder or financial institution identified below is **not** on the current DGS list of persons engaged in investment activities in Iran and is **not** a financial institution extending twenty million dollars (\$20,000,000) or more in credit to another person or vendor, for 45 days or more, if that other person or vendor will use the credit to provide goods or services in the energy sector in Iran and is identified on the current DSG list of persons engaged in investment activities in Iran.

<i>Vendor Name/Financial Institution (printed)</i>		<i>BRTC (or n/a)</i>
<i>By (Authorized Signature)</i>		
<i>Print Name and Title of Person Signing</i>		
<i>Date Executed</i>	<i>City Approval (Signature)</i>	<i>(Print Name)</i>

## **OPTION #2: EXEMPTION**

Pursuant to PCC § 2203(c) and (d), a public entity may permit a bidder or financial institution engaged in investment activities in Iran, on a case-by-case basis, to be eligible for, or to bid on, submit a proposal for, or enter into, or renew, a contract for goods and services. If the bidder or financial institution identified below has obtained an exemption from the certification requirement under the Iran Contracting Act of 2010, the bidder or financial institution shall complete and sign below and attach documentation demonstrating the exemption approval.

<i>Vendor Name/Financial Institution (printed)</i>		<i>BRTC (or n/a)</i>
<i>By (Authorized Signature)</i>		
<i>Print Name and Title of Person Signing</i>		
<i>Date Executed</i>	<i>City Approval (Signature)</i>	<i>(Print Name)</i>

## **D. Los Angeles Residence Information**

## LOS ANGELES RESIDENCE INFORMATION

The City Council in consideration of the importance of preserving and enhancing the economic base and well-being of the City encourages businesses to locate or remain within the City of Los Angeles. This is important because of the jobs businesses generate and for the business taxes they remit. The City Council on January 7, 1992, adopted a motion that requires proposers to state their headquarter address as well as the percentage of their workforce residing in the City of Los Angeles.

Organization: \_\_\_\_\_

I. Corporate or Main Office Address:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

II. Total Number of Employees in Organization: \_\_\_\_\_

III. Number and Percentage of Employees In Organization who are  
Los Angeles City Residents:

\_\_\_\_\_

\_\_\_\_\_ %

**E. Non-Collusion Affidavit, Los Angeles City  
Charter Section 386**

**NON-COLLUSION AFFIDAVIT**

The appropriate, authorized operator's designate must sign and affix the corporate seal (see space below).

I, \_\_\_\_\_, depose and say that I am  
\_\_\_\_\_, of \_\_\_\_\_,  
("President," "Vice-President," etc.) (Insert Name and Address of Organization

who submits this proposal to the City of Los Angeles, City Attorney's Office, and hereby declare that this proposal is genuine, and not sham or collusive, nor made in the interest or in behalf of any person not herein named and the proposer had not directly induced or solicited any other proposer to put in a sham proposal, or any other person, firm, or corporation to refrain from submitting a proposal, and that the proposer has not in any manner sought by collusion to secure for him/herself an advantage over any other proposer.

Date: \_\_\_\_\_ at \_\_\_\_\_  
(Month, Day, Year) (City, State)

(Corporate Seal)

I certify under penalty of perjury that the foregoing is correct.

\_\_\_\_\_  
(Signature)

**F. Provide a copy of your firm's W-9 form**

**G. Provide a copy of your firm's Business Tax  
Registration Certificate**

# **City Standard Provisions for City Contracts**

## Standard Provisions for City Contracts

Each Underwriter, on its own behalf and not on behalf of any other Underwriter, agrees to comply with the following requirements of the City of Los Angeles (the “City”):

Section 1. Independent Contractor. Each Underwriter is an independent contractor and not an agent or employee of the City. Each Underwriter shall not represent or otherwise hold out itself or any of its directors, officers, partners, employees or agents to be an agent or employee of the City.

Section 2. Retention of Records, Audits and Reports. The Underwriters shall maintain all records, including records of financial transactions, pertaining to the performance of this Bond Purchase Agreement, in their original form or as otherwise approved by the City. These records shall be retained for a period of no less than three years from the later of the following: (1) final payment made by MICLA or the City or (2) the expiration or termination of this Bond Purchase Agreement. The records will be subject to examination and audit by authorized City personnel or the City’s representatives at any time. The Underwriters shall provide any reports requested by the City regarding performance of this Bond Purchase Agreement. Any subcontract entered into by any Underwriter for work to be performed under this Bond Purchase Agreement must include an identical provision.

In lieu of retaining the records for the term as prescribed in this provision, the Underwriters may, upon the City’s written approval, submit the required information to the City in an electronic format, e.g. USB flash drive, at the expiration or termination of this Bond Purchase Agreement.

Section 3. Taxpayer Identification Number (“TIN”) and Withholding Taxes. The Representative declares that it has an authorized TIN which will be provided to the City on Form W-9 or such equivalent form prior to payment under the Bond Purchase Agreement. Payments made under the Bond Purchase Agreement shall be subject to any federal or state taxes as may be required to be withheld pursuant to any applicable law or regulation, unless otherwise exempted by such applicable law, regulations, or other evidence of exemption.

Section 4. Indemnification. The Underwriters shall defend, indemnify and hold harmless the City and the City’s boards, officers, agents, employees, assigns and successors in interest from and against all suits and causes of action, claims, losses, demands and expenses, including but not limited to attorneys’ fees and costs of litigation, to the extent such suits and causes of action, claims, losses, demands and expenses arise out of or are based upon information provided by the Underwriters to the City for use in the Official Statement under the heading “UNDERWRITING.”

Section 5. Insurance. During the term of this Bond Purchase Agreement, each Underwriter shall provide and maintain at its own expense professional liability insurance in the amount of One Million Dollars (\$1,000,000) which covers the services performed pursuant to this Bond Purchase Agreement, and that it will expend every reasonable effort to keep such insurance or its equivalent in effect at all times during performance of the Bond Purchase Agreement and for one (1) year after the termination of the Bond Purchase Agreement. The insurance must: (1) conform to the City’s requirements; (2) comply with the Insurance Contractual Requirements

attached to the Request for Qualifications, and (3) otherwise be in a form acceptable to the Office of the City Administrative Officer, Risk Management.

Section 6. Warranty and Responsibility of the Underwriters. The Underwriters warrant that the work performed under this Bond Purchase Agreement shall be completed in a manner consistent with professional standards practiced among those firms within the Underwriters' profession, doing the same or similar work under the same or similar circumstances.

Section 7. Mandatory Provisions Pertaining to Non-Discrimination in Employment.

Unless otherwise exempt, this Bond Purchase Agreement is subject to the applicable non-discrimination, equal employment practices, and affirmative action program provisions in the Los Angeles Administrative Code ("LACC") Section 10.8 et seq., as amended from time to time.

- A. Each Underwriter shall comply with the applicable non-discrimination and affirmative action provisions of the laws of the United States of America, the State of California, and the City. In performing this Bond Purchase Agreement, each Underwriter shall not discriminate in any of its hiring or employment practices against any employee or applicant for employment because of such person's race, color, religion, national origin, ancestry, sex, sexual orientation, gender, gender identity, age, disability, domestic partner status, marital status or medical condition.
- B. The provisions of Section 10.8.3 of the LAAC are incorporated and made a part of this Bond Purchase Agreement by reference and will be known as the "Equal Employment Practices" provisions of this Bond Purchase Agreement.
- C. The provisions of Section 10.8.4 of the LAAC are incorporated and made a part of this Bond Purchase Agreement by reference and will be known as the "Affirmative Action Program" provisions of this Bond Purchase Agreement.

Any subcontract entered into by any Underwriter for work to be performed under this Bond Purchase Agreement must include an identical provision.

Section 8. Child Support Assignment Orders. Each Underwriter shall comply with the Child Support Assignment Orders Ordinance, Section 10.10 of the LAAC, as amended from time to time. Pursuant to Section 10.10(b) of the LAAC, each Underwriter (and any subcontractor providing services to the City under this Bond Purchase Agreement) shall (1) fully comply with all State and Federal employment reporting requirements for each Underwriter's or the subcontractor's employees; (2) certify that the principal owner(s) of each Underwriter and applicable subcontractor are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally; (3) fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family Code Section 5230, et seq.; and (4) maintain such compliance throughout the term of this Bond Purchase Agreement.

Failure of any Underwriter or an applicable subcontractor to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment or Notices of Assignment, or the failure of any principal owner(s) of any Underwriter or applicable

subcontractor to comply with any Wage and Earnings Assignment or Notices of Assignment applicable to them personally, shall constitute a default by such Underwriter under this Bond Purchase Agreement. Failure of any Underwriter or applicable subcontractor or principal owner to cure the default within 90 days of the notice of default will subject this Bond Purchase Agreement to termination for breach. Any subcontract entered into by any Underwriter for work to be performed under this Bond Purchase Agreement must include an identical provision.

Section 9. Access and Accommodations.

Each Underwriter represents and certifies that:

- A. Each Underwriter shall comply with the Americans with Disabilities Act, as amended, 42 U.S.C. Section 12101 et seq., the Rehabilitation Act of 1973, as amended, 29 U.S.C. Section 701 et seq., the Fair Housing Act, and its implementing regulations and any subsequent amendments, and California Government Code Section 11135;
- B. Each Underwriter shall not discriminate on the basis of disability or on the basis of a person's relationship to, or association with, a person who has a disability;
- C. Each Underwriter shall provide reasonable accommodation upon request to ensure equal access to City-funded programs, services and activities;
- D. Construction will be performed in accordance with the Uniform Federal Accessibility Standards (UFAS), 24 C.F.R. Part 40; and
- E. The buildings and facilities used to provide services under this Bond Purchase Agreement are in compliance with the federal and state standards for accessibility as set forth in the 2010 ADA Standards, California Title 24, Chapter 11, or other applicable federal and state law.

Each Underwriter understands that the City is relying upon these certifications and representations as a condition to funding this Bond Purchase Agreement. Any subcontract entered into by each Underwriter for work to be performed under this Bond Purchase Agreement must include an identical provision.

Section 10. Contractor Responsibility Ordinance. Each Underwriter shall comply with the Contractor Responsibility Ordinance, LAAC Section 10.40 et seq., as amended from time to time.

Section 11. Restrictions on Campaign Contributions and Fundraising in City Elections. Unless otherwise exempt, if this Bond Purchase Agreement is valued at \$100,000 or more and requires approval by an elected City office, each Underwriter, their principals, and any subcontractors expected to receive at least \$100,000 for performance under this Bond Purchase Agreement, and the principals of those subcontractors (the "Restricted Persons") shall comply with Charter Section 470(c)(12) and Los Angeles Municipal Code ("LAMC") Section 49.7.35. Failure to comply entitles the City to terminate this Bond Purchase Agreement and to pursue all available legal remedies. Charter Section 470(c)(12) and LAMC Section 49.7.35 limit the ability of the

Restricted Persons to make campaign contributions to and engage in fundraising for certain elected City officials or candidates for elected City office for twelve months after this Bond Purchase Agreement is signed. Additionally, any Underwriter subject to Charter Section 470(c)(12) is required to comply with disclosure requirements by submitting a completed and signed Ethics Commission Form 55 and to amend the information in that form as specified by law. Any Underwriter subject to Charter Section 470(c)(12) shall include the following notice in any contract with any subcontractor to receive at least \$100,000 for performance under this Bond Purchase Agreement:

“Notice Regarding Restrictions on Campaign Contributions and Fundraising in City Elections.

You are a subcontractor in connection with the Bond Purchase Agreement, dated as of [\_\_\_\_], 20[\_\_\_] (the “Bond Purchase Agreement”), by and among the Municipal Improvement Corporation of Los Angeles, the City of Los Angeles (the “City”) and [\_\_\_\_], as the Representative. Pursuant to the City of Los Angeles Charter Section 470(c)(12) and related ordinances, you and your principals are prohibited from making campaign contributions to and fundraising for certain elected City of Los Angeles officials and candidates for elected City office for twelve months after the Bond Purchase Agreement is signed. You are required to provide the names and contact information of your principals to the underwriting firm and to amend that information within ten business days if it changes during the twelve month time period. Failure to comply may result in termination of the Bond Purchase Agreement and any other available legal remedies. Information about the restrictions may be found online at [ethics.lacity.org](http://ethics.lacity.org) or by calling the Los Angeles City Ethics Commission at (213) 978-1960.”

Section 12. Contractor’s Use of Criminal History for Consideration of Employment Applications. Each Underwriter shall comply with the City’s “Contractor Use of Criminal History for Consideration of Employment Applications” Ordinance, LAAC Section 10.48 et seq., as amended from time to time. Any subcontract entered into by any Underwriter for work to be performed under this Bond Purchase Agreement must include an identical provision.

# Insurance Requirements

## Required Insurance and Minimum Limits

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Agreement/Reference: Investment Banking Services for the City of Los Angeles

Evidence of coverages checked below, with the specified minimum limits, must be submitted and approved prior to occupancy/start of operations. Amounts shown are Combined Single Limits ("CSLs"). For Automobile Liability, split limits may be substituted for a CSL if the total per occurrence equals or exceeds the CSL amount.

**Limits**

**Workers' Compensation (WC) and Employer's Liability (EL)**

WC Statutory

EL 1,000,000

Waiver of Subrogation in favor of City

Longshore & Harbor Workers

Jones Act

**General Liability** \_\_\_\_\_

1,000,000

Products/Completed Operations

Sexual Misconduct \_\_\_\_\_

Fire Legal Liability \_\_\_\_\_

\_\_\_\_\_

\_\_\_ **Automobile Liability** (for any and all vehicles used for this contract, other than commuting to/from work) \_\_\_\_\_

**Professional Liability** (Errors and Omissions)

1,000,000

Discovery Period 12 months after completion of project or termination of agreement

\_\_\_ **Property Insurance** (to cover replacement cost of building - as determined by insurance company) \_\_\_\_\_

All Risk Coverage

Boiler and Machinery

Flood \_\_\_\_\_

Builder's Risk

Earthquake \_\_\_\_\_

\_\_\_\_\_

**Cyber Liability and Data Breach with Aggregate \$2MM**

1,000,000

\_\_\_\_\_

\_\_\_ **Surety Bonds** - Performance and Payment (Labor and Materials) Bonds \_\_\_\_\_

\_\_\_ **Crime Insurance** \_\_\_\_\_

**Other:** 1) In the absence of imposed Auto Liability requirements, all contractors using vehicles during the course of their contract must adhere to the financial responsibility laws of the State of California.

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**Note: City Ethics Form 50 and City Ethics Form 55 are provided as separate attachments**

## **ATTACHMENT 3**

### **Corporate Citizenship Requirement under the Responsible Banking Ordinance**



**CONSUMER PROTECTION**

1. Is the financial institution currently in compliance with all applicable consumer financial protection laws?

Yes \_\_\_ No \_\_\_

If no, please briefly explain: \_\_\_\_\_

\_\_\_\_\_

2. Does the financial institution have policies to prevent the use of illegal predatory consumer adverse sales goals as the bases for evaluation, promotion, discipline or compensation of employees?

Yes \_\_\_ No \_\_\_

If no, please briefly explain: \_\_\_\_\_

\_\_\_\_\_

3. Does the financial institution encourage and maintain whistleblower protection policies for its employees and/or customers to report suspected illegal practices, including predatory sales goals?

Yes \_\_\_ No \_\_\_

If no, please briefly explain: \_\_\_\_\_

\_\_\_\_\_

4. In the last five years, has the financial institution been subject to any disciplinary actions such as fines, suspensions, or settlements, undertaken by the Securities and Exchange Commission, the Consumer Financial Protection Bureau, the Municipal Securities Regulation Board, the Financial Industry Regulatory Agency and/or any State regulatory agency?

Yes \_\_\_ No \_\_\_

5. If the answer to question no. 4 is yes, please provide in separate attachment labeled Exhibit 3, what the violation(s) are, the reason for the enforcement action, what government agencies are involved, the date of the enforcement action, what is the current status, and how were or will the issues be resolved?

\_\_\_\_\_

\_\_\_\_\_





# **ATTACHMENT 4**

## **Personnel Experience**



# **ATTACHMENT 5**

## **Issuers in California Since January 2016**



# **ATTACHMENT 6**

## **Issuers Outside of California Since January 2016**



# **ATTACHMENT 7**

## **Reference Evaluation**

## REFERENCE EVALUATION

The City of Los Angeles (the "City") is analyzing past performance of proposers for its Request for Qualifications for Investment Banking Services. The vendor listed below has identified you as a previous client. The City greatly appreciates your time in completing this survey.

**Note:** The City reserves the right to contact the Client under Part B to verify the scores, comments, and project, and to ask follow-up questions about the below rated Firm and Key Personnel listed under Part A.

### PART A – FIRM NAME AND PERSONNEL

Name of Firm: \_\_\_\_\_

Name(s) of Key Personnel: \_\_\_\_\_

### PART B – PROJECT BACKGROUND

Client Name: \_\_\_\_\_

Project Name: \_\_\_\_\_

Role (Senior Manager or Co-Manager): \_\_\_\_\_

Sale Date: \_\_\_\_\_ Project Size (\$): \_\_\_\_\_

Scope of Services (Brief description): \_\_\_\_\_

### PART C – REFERENCE EVALUATION

Please rate your overall level of satisfaction with the above name contractor on a scale of 1 to 10 (with 10 representing that you were very satisfied and 1 representing that you were very unsatisfied).

CRITERIA	RATING (1-10)	COMMENTS
Overall Quality of Firm's Investment Banking Services		
Timeliness and Accuracy of Reports/Reporting		
Capability/Effectiveness of Key Personnel		
Quality of Firm's Institutional and Retail Distribution Capabilities		
Capability/Effectiveness of Bond Marketing		
Effectiveness of Pricing in the Primary and Secondary Market		

CRITERIA	RATING (1-10)	COMMENTS
Timeliness of Performance/Schedule Adherence		
Responsiveness to Requests/Problems		

Please provide any additional information regarding the firm and/or the project (consider any significant accomplishments, anything you would do differently, challenges and risks, etc.)

---

 Print Name of Evaluator

---

 Title

---

 Entity Name

2/22/2021

---

 Signature

---

 Date

---

 Phone Number

---

 Email Address

Thank you for your time and effort in assisting us with this Request for Qualifications.  
**Please email the completed survey to [cao.debt@lacity.org](mailto:cao.debt@lacity.org) by April 21, 2021.**

## **SECTION 6 DEBT MANAGEMENT POLICY**

(As amended on September 23, 2020; Council File 20-0161)

### **INTRODUCTION**

The Debt Management Policy (Policy) has been developed to provide guidelines for the issuance of bonds and other forms of indebtedness to finance the acquisition of real property and capital equipment, capital improvements, and other matters for the City including short-term cash flow and large legal judgments. From time to time, it may be desirable for the City to update the Policy, particularly to reflect any changes to applicable federal and state laws regarding debt issuances, and revisions to City procedures. This Policy amends and supersedes the Policy approved by the Mayor and City Council in 2005, and also incorporates and amends the Municipal Improvement Corporation of Los Angeles (the "MICLA") Departmental Operating Policies approved in 2000, and the Variable Rate and Swap Policies approved in 2003. In addition, the Mello-Roos Policies and Procedures, adopted in 1994, are incorporated by reference and attached hereto as Exhibit A.

While the issuance of debt is frequently an appropriate method of financing capital projects and major capital equipment acquisition, these guidelines are designed to assist the City in determining the appropriate debt financing structures to use, and establishing certain debt management goals.

The Policy describes the circumstances and methods with which certain types of financing products can be used, the guidelines that will be imposed on them, and who in the City is responsible for implementing these policies. A Glossary of Key Terms is provided at the end of this Policy.

### **OBJECTIVE**

The following represent key objectives of the Policy:

- To mitigate risk and support sound decision-making with regard to long-term financing commitments.
- To comply with federal and state laws and regulations, including disclosure and reporting requirements.
- To incorporate best practices into the City's issuance and management of its debt obligations.
- To ensure that the City's debt is consistent with the City's planning goals and objectives, and capital improvement program or budget, as applicable.

- To minimize the cost of debt.
- To maintain and improve the City's credit ratings on its debt.
- To establish selection criteria for retaining the best qualified financial consultants, attorneys, underwriters, and other financing participants through fair procurement processes.

## **GENERAL**

### Designated Managers of City Debt

1. The City Council has the final approval of all City debt and awards all contracts with respect to the sale of bonds and other debt instruments.
2. The City Administrative Officer's ("CAO") Debt Management Group structures debt issuances and oversees the ongoing management of all the General Fund and certain special fund debt programs. These include general obligation bonds, lease revenue bonds, lease purchase obligations, revenue obligations, judgment obligation bonds, special tax obligations, and Mello-Roos and special assessment obligations. Other programs may be added from time to time as new debt instruments are developed.
3. The CAO manages the following programs, each with its own ratings:
  - a. General Obligation Bonds
  - b. Judgment Obligation Bonds
  - c. MICLA Lease Revenue Bonds and Commercial Paper
  - d. Solid Waste Resources Revenue Bonds
  - e. Tax and Revenue Anticipation Notes
  - f. Wastewater System Revenue Bonds and Commercial Paper
  - g. Land-Secured Assessment Financings
  - h. Special Tax or Assessment District Financings
4. The CAO is responsible for managing the City's primary and continuing disclosure obligations for the above-referenced programs.
5. The CAO is responsible for ensuring compliance with this Policy and the development and implementation of procedures to ensure the compliance with applicable federal and state laws.
6. The CAO will provide the necessary debt documentation to the Controller to assist them in their responsibilities such as financial reporting.

7. The Departments of Airports, Harbor, Water and Power, the Housing and Community Investment (“HCID”), and the Industrial Development Authority (IDA through the Economic and Workforce Development Department (EWDD)), are responsible for issuing and administering their own debt due to the specialized aspects of the debt issued by these agencies and the integral ties between the debt that is issued and the programs these agencies administer.
8. The CAO reviews and monitors debt programs of the Departments of Airports, Harbor, Water and Power (Proprietary Departments). In accordance with Charter Section 609(a), the CAO makes recommendations to the Mayor and City Council on the proposed issuance of revenue bonds by the Proprietary Departments.
9. The CAO reviews and makes recommendations to the Mayor and Council for the issuance of housing bonds. HCID and IDA are Council-controlled entities and are expected to adhere to the guidelines set forth in the Policy, where applicable.

#### Method of Sale

10. There are three methods of issuing debt: 1) a competitive sale; 2) a negotiated sale; and 3) a private placement. There are advantages to each method of sale, depending on the facts and circumstances of the financing and the City’s particular goals. The City should determine which method of sale to use based on the characteristics of the debt being issued, including rating quality, size of issuance, market conditions, and policy goals.
11. Competitive Sale: In a competitive sale, underwriters submit sealed bids and the underwriter or underwriting syndicate with the lowest True Interest Cost (TIC) is awarded the bonds. The City will use the competitive method of sale for its general obligation bonds and selected other securities.
12. Negotiated Sale: When a competitive sale is not practicable or less advantageous to the City, pursuant to the Charter Section 371(e)(2) and based on advice by an independent municipal advisor and the City Attorney that a negotiated bond sale is appropriate, the City may issue debt through a negotiated sale. In a negotiated sale, the City selects the underwriter or underwriting syndicate through a Request for Proposal (“RFP”) process. The underwriter or underwriting syndicate will assist the City in structuring and marketing the bonds. The RFP process to select the underwriter or underwriting syndicate should consider the participation of Minority/Women/Other Business Enterprise (MBE/WBE/OBE), prior performance on competitive sales, and new ideas and approaches with the potential of lowering costs to the City. Since an underwriter can premarket the bonds to investors, negotiated sales are particularly appropriate for new or unusual credits or structures, or for Mello-Roos and assessment bonds sold without ratings; commonly referred to as story bonds.

13. Private Placements: A private placement is a type of negotiated sale in which the issuer places a financing directly with a private investor, generally a bank. Therefore, pursuant to the Charter Section 371(e)(2) and based on advice by an independent municipal advisor and the City Attorney that a private bond sale is appropriate, the City will select a bank through a RFP process and directly negotiates the transaction. These loans or bonds are used for smaller transactions where the costs of preparing an official statement and securing ratings are greater than the benefit, for unusual credits, or for a better pricing than the municipal bond market.

#### Pricing of Bonds

14. The City may issue bonds at their par value, at a premium (a price that is above par), or at a discount (a price that is below par) depending on the preferences of various types of investors. During periods when interest rates are low or have been trending lower, a larger proportion of bonds will be sold at a premium. Generally, when interest rates are high, a larger proportion of bonds will be sold at a discount.

#### Debt Affordability and Capacity

15. The determination of how much indebtedness the City should incur will be based on the long-term borrowing needs of the City, the availability of resources to repay the debt, and the impact of planned debt issuances on the long-term affordability of all outstanding debt as measured by the debt ratios developed by the City as guidelines in evaluating the affordability of future debt.
16. The Capital and Technology Improvement Program (CTIP) is one tool to identify the long-term borrowing needs of the City. The CTIP will incorporate the City's current five-year capital plan and include all presently known City financings to be repaid from the General Fund and relevant special funds. The CAO will revise the Five-Year CTIP Plan on an annual basis or as part of the annual budget process. See the CTIP Policy for details.
17. The City will carefully monitor the issuance of debt to maintain a balance between debt and resources available to service debt. The CAO shall use Direct Debt Service Payments as percent of General Revenues for voter approved and non-voter approved debt as the basis for its debt ratios.<sup>16</sup>
18. A Debt Affordability Chart illustrating projected debt ratios will be updated each time the CAO recommends the issuance of debt and included in the CAO report

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<sup>16</sup> Direct Debt includes all debt that repaid from the General Fund or from any revenues deposited into special funds not supporting revenue bonds, such as general obligation bonds and Citywide parcel tax bonds. "General Revenues" consist primarily of the General Fund, as well as revenues from the special funds supporting direct debt.

in conjunction with the Debt Impact Statement and Fiscal Impact Statement required by Charter Section 325.

19. The Debt Affordability Ceiling for debt service on non-voter approved debt shall be no more than 6 percent of General Revenues. The 6 percent ceiling may be exceeded only in the following situation: (1) if there is a guaranteed new revenue stream for the debt payments and the additional debt will not cause the ratio to exceed 7.5 percent or, (2) if there is not a guaranteed revenue stream but the 6 percent ceiling will only be exceeded for one year.
20. The Debt Affordability Ceiling for debt service on voter-approved and non-voter approved debt combined shall be no more than 15 percent.
21. Debt capacity for revenue bonds secured by enterprise revenues is not measured in terms of the City's tax base or general revenues, but relative to factors specific to the system and its enterprise fund. One of the key measures of debt capacity for bonds secured by enterprise revenues is the system's Coverage Ratio, calculated by dividing the amount of net revenues (that is revenues after the payment of operations and maintenance, but excluding depreciation) by annual debt service. Coverage represents the amount of additional net revenues after payment of debt service, which are typically applied to pay-as-you-go capital or to build reserves. While the bond documents will set minimum coverage ratios the City must maintain in setting rates or issuing additional bonds, rating agencies and investors expect that actual coverage ratios will be higher. The City's CAO-managed revenue bonds, currently consisting of the Wastewater System Revenue Program and the Solid Waste Resources Revenue Program, are both highly rated in the AA-category. The CAO will analyze the appropriate level of Debt Service Coverage for each program and report actual and target coverage ratios in its staff reports recommending bond issuance and changes in rates and charges.
22. The rapid repayment of outstanding debt allows for additional future debt capacity for the City as well as long-term savings by reducing interest costs. The CAO will structure its general debt issuances (general obligation bonds and lease revenue obligations) to reach a target of 50 percent of all outstanding direct debt being repaid within 10 years.
23. Through pay-as-you-go financing, capital projects are funded from current revenues in the operating budget rather than through debt. Except under certain circumstances, the City will fund routine maintenance projects in each year's capital program with pay-as-you-go financing. Extenuating circumstances that may be debt financed include unusually large and non-recurring budgeted expenditures, or when depleted reserves and weak revenues would require delaying or eliminating necessary capital projects.

## Budgeting

24. All staff costs directly related to bond-funded projects will be analyzed to determine if such staff costs can be reimbursed from bond proceeds under federal and state law. Each bond program has its own rules to determine eligibility for reimbursements from bond proceeds. City operations and routine maintenance costs will not be funded with any type of debt.
25. Any existing and new bond funds that remain unspent for a period longer than three years from the date the funds were originally deposited will be subject to reversion to pay debt service or to defease bonds. The City Controller and the CAO are authorized to implement this Policy and to ensure funds are closed at the appropriate time. Any exceptions shall require Mayor and City Council approval.
26. Any new bond funds remaining unencumbered after 18 months from the date the funds were originally deposited shall be subject to reversion and such funds may be reallocated for other capital projects with similar useful lives or to pay debt service. The City Controller and the CAO are authorized to implement this Policy and to ensure funds are either re-appropriated or transferred to the Trustee with the necessary administrative approvals. Any exceptions shall require Mayor and City Council approval.

## Refinancing Outstanding Debt

27. The CAO shall periodically evaluate potential savings to the City from refinancing outstanding debt (Refundings). Savings will be analyzed on a present value basis with a goal of achieving a Present Value Savings of 3 percent of the refunded par amount for any one refunding transaction.
28. The CAO's present value analysis must identify the economic effect of any proposed refunding. The CAO shall recommend to the Mayor and City Council individual refunding candidates above or below the City's Present Value Savings Goal of 3 percent to optimize the City's financial objectives.
29. Refundings may be executed for reasons other than economic purposes, such as to restructure debt, to change the type of debt instrument, or to retire a bond issue and indenture for more desirable covenants. The CAO may recommend a refunding that has economic benefit but does not meet the Present Value Savings Goal of 3 percent. The CAO must inform the Mayor and City Council that this refunding does not meet the goal and explain the benefits as well as the costs.

### Rating Agency Strategy

30. Communication with the rating agencies is the responsibility of the CAO. The CAO will continue its practice of meeting regularly with the rating agencies to keep them informed of the City's borrowing plans and financial condition. Meetings will generally occur at least once annually with each rating agency and, at a minimum, conference calls will be offered in connection with each issuance of bonds, at the discretion of the CAO.
31. The CAO, as its discretion, will decide which rating agency and the number of ratings to use for each bond financing.
32. The CAO will periodically report to the Mayor and City Council, detailing the City's credit strengths and weaknesses as perceived by the rating agencies. The CAO will include recommended actions to address any weaknesses identified by the rating agencies. This report may occur as part of the annual budget development process or in connection with any debt-related transaction. The report recommendations will take into consideration potential credit impacts of budget balancing options.

### Investor Relations

33. Investor relations is a strategic management responsibility that integrates finance, communication, marketing, and securities law compliance to enable the most effective two-way communication between the City and its investors. The CAO's Debt Management Group will be responsible for managing the City's relationship with its investors and will respond to any investor's inquiry in a timely and informative manner.
34. The CAO will maintain and update the City's Debt Management and Investor Relations website, where it will provide current debt, financial, and disclosure information for ready access by investors.

### Annual Debt Report

35. The CAO will annually prepare a report to the Mayor and City Council, which reviews the outstanding debt of the City. This may occur in conjunction with the annual budget development process.

## TYPES OF DEBT

### General Obligation Bonds

1. Voter-approved General Obligation Bonds (“GO bonds”) provide the lowest cost of borrowing to finance the acquisition or improvement of real property, and provide a new and dedicated revenue source in the form of additional ad valorem property taxes to pay debt service. Pursuant to California law, the voter approval threshold for City GO bonds is two-thirds. In recognition of the difficulty in achieving the required two-thirds voter-approval, GO bonds will be generally limited to facilities that provide wide public benefit and that have generated broad public support.
2. The final maturity of GO bonds will be limited to the shorter of the average useful life of the asset financed or 20 years.
3. In GO bond issues, the principal will generally be amortized in equal annual amounts or faster to meet the rapidity of debt repayment goals and should be callable no later than 10 years. Call options allow the City the right to prepay or retire debt prior to its maturity and thus provide opportunities to achieve interest savings through Refundings or cash pay downs.
4. GO bond issues will generally be sized to the amount reasonably expected to be spent in no more than three years.
5. GO bonds issued for new money purposes will be sold at a minimum price equal to the par amount of the bonds offered for sale.

### Lease-Purchase Obligations

6. The City finances both capital improvements and equipment through the issuance of lease revenue bonds, lease revenue commercial paper, and through leases directly placed with banks and other private placement lenders. Generally, the City’s lease revenue bonds and other obligations are issued through the Municipal Improvement Corporation of Los Angeles (MICLA). A fuller discussion of the City’s lease financing program, including its use of commercial paper as a form of interim financing, is discussed in the MICLA section below.
7. In lease-purchase obligations, the final maturity of capital equipment obligations will be limited to the average useful life of the equipment to be financed, usually 10 years.
8. In lease-purchase obligations, the final maturity of real property obligations will be determined by the size of the financing: 10 to 15 years for small issues; 20 to 25 years for large issues; and 30 years for exceptional projects or those with a direct revenue component such as a special tax.

9. In lease-purchase obligations, the principal will generally be amortized to result in level annual lease payments; however, more rapid principal amortization may occur where permissible to meet debt repayment goals. The obligations should be callable no later than 10 years to provide opportunities for interest savings through Refundings or cash pay downs.

#### Revenue Obligations

10. Revenue bonds secured solely from fees are not included when rating agencies calculate the City's debt ratios in their criteria.
11. Revenue obligations include any bonds secured by fees or revenues derived from the enterprise and deposited into special funds (Revenue Bonds), such as the City's Sewer Construction and Maintenance Fund, the Solid Waste Resources Revenue Fund, and the Special Parking Revenue Fund. If a new revenue source is put into its own fund, then a new revenue bond program could be developed.
12. From time to time, the City may enter into other revenue obligations including direct loans with state and federal agencies, such as the California State Water Resources Control Board and the Environmental Protection Agency, that offer local agencies low cost loans to fund certain capital projects.
13. To preserve General Fund debt capacity and budget flexibility, Revenue Bonds will be preferred over General Fund-supported debt when a distinct and identifiable revenue stream can be identified to support the issuance of bonds.
14. The final maturity of Revenue Bonds or other debt obligations secured by enterprise or other special revenues will be determined by the expected useful life of the financed project and the revenues available to repay the debt.
15. Generally, principal amortization will be structured to provide level debt service for the bond issue or for overall level debt service for that specific program. The obligations should be callable no later than 10 years to provide opportunities for interest savings through Refundings or cash pay downs.

#### Judgment Obligation Bonds

16. Judgment Obligation Bonds (JOBs) are issued to finance a court action against the City and a court-approved settlement. To issue these bonds, the City must participate in a court-approved validation process.
17. The final maturity of any JOB will be limited to 10 years to demonstrate the City's willingness to repay such obligations quickly.

18. The principal amortization will be determined as appropriate for each particular JOB transaction.

### Special Tax Obligations

19. Special Tax Obligations are secured by revenues derived from a voter-approved special tax. These obligations are repaid with either excise taxes or parcel taxes, but not by ad valorem taxes.
20. Generally, the final maturity of City-wide special tax obligations will be limited to 20 years, unless there are unusual circumstances, as determined by the CAO. The obligations should be callable no later than 10 years from date of issuance to provide opportunities for interest savings through Refundings.

### Mello-Roos and Special Assessment Obligations

21. Mello-Roos and Special Assessment Obligations are secured by additional charges levied on a discrete group of property owners. These obligations constitute overlapping indebtedness of the City and have an impact on the overall level of debt affordability.
22. The City has developed separate guidelines for the issuance of Mello-Roos and Special Assessment Obligations. The City of Los Angeles Policies and Procedures for Mello-Roos and Assessment Districts, adopted by the City Council on November 1, 1994, and all subsequent amendments, are hereby incorporated into this Policy. A copy of the Mello-Roos Policy is incorporated by reference and attached as Exhibit A.

### Pension Obligation Bonds

23. Pension Obligation Bonds (POBs) are taxable bonds issued as part of an overall strategy to fund the unfunded portion of pension liabilities. The use of POBs rests on the assumption that the bond proceeds, when invested in higher-yielding asset classes that are allowed for pension systems (such as corporate stock), will be able to achieve a rate of return that is greater than the interest rate owed over the term of the bonds.
24. POBs involve considerable investment timing risk, making the goal of issuing POBs somewhat speculative. Failing to achieve the targeted rate of return burdens the issuer with both the debt service requirements of the taxable bonds and the unfunded pension liabilities that remain unmet because the investment portfolio did not perform as anticipated.
25. If the City is considering the use of POBs, the CAO shall provide notification to the Council and Mayor of its intent to hire an independent municipal advisor and obtain an actuarial analysis to evaluate the cost/benefit of issuing POBs.

### Section 108 Loans

26. Section 108 loans are made from federal funds and administered by HCID, but are guaranteed by other City funds, with an ultimate backstop from the General Fund. Accordingly, HCID, will adhere to the Debt Management Policy when structuring Section 108 loans.
27. Section 108 loans should be structured to be financially sound loans to assist in economic development projects.
28. Although the General Fund is the ultimate backstop, Section 108 loans will be structured with sufficient guarantees so that if the loan is in default, there will be another funding source besides the General Fund for the payment of the loan.
29. In compliance with the Block Grant Investment Fund (BGIF) Policy, block grants should be used as guarantor for payment on Section 108 loans.

### Tax and Revenue Anticipation Notes

30. These notes are short-term borrowings in anticipation of taxes and revenues that have not yet been received. This borrowing is for cash flow purposes and is desirable to manage the timing mismatch between revenues and expenditures over the course of a fiscal year, or to take advantage of the opportunity to prepay annual pension obligations for a discount.

### Bond Anticipation Notes

31. In certain circumstances, in anticipation of an expected revenue source, the City may issue short-term obligations to finance a capital project, with this obligation refunded with a more conventional long-term financing funded from the anticipated revenue source.

### Grant Anticipation Notes

32. The City may issue short-term notes to be repaid with the proceeds of federal and state grants if appropriate for the project and in the best interest of the City. Generally, grant anticipation notes will only be issued if there is no other viable source of up-front cash for the project.

### Other Types of Obligations

33. From time to time, the CAO may recommend other types of bonds or obligations that are beneficial to the City. The CAO will bring these to the Mayor and City Council for consideration.

### Bonds with Special Designations

34. Green, Social and Sustainability Bonds are any type of bond instrument where the proceeds will be exclusively applied to eligible environmental and social projects or a combination of both. Green, Social and Sustainability Bonds are regulated instruments subject to the same capital market and financial regulation as other listed fixed income securities.
35. When determining whether to designate a bond issuance or transaction with a special designation such as Green, Social, or Sustainable, the City should examine and agree to comply with reporting (i.e. impact reporting) and disclosure requirements associated with the special designation.
36. Prior to issuing a bond with a special designation, the City, working with its consultants, should determine what if any independent/external review will be used such as a second party opinion, verification, certification, or bond scoring/rating process. These reviews will be made publically available.
37. Bonds with special designations may or may not result in premium pricing for the City and yet require additional reporting and disclosure. The City may choose to issue bonds with a special designation even when there is no additional pricing benefit based on other benefits such as:
  - i. A greater diversification of the City's investor base that may result in potential increased demand and future premium pricing.
  - ii. An alignment with the City's broader goals on environmental and social issues.

## **FIXED-RATE DEBT**

### Purpose and Use of Fixed-Rate Debt

1. Fixed-Rate Debt should be used to finance essential capital assets such as facilities, real property, and certain capital equipment where it is appropriate to spread the cost of the asset over more than one budget year. In doing so, future taxpayers, who will benefit from the investment, will help pay a share of its cost as well as current taxpayers.
2. The City shall restrict the use of Fixed-Rate Debt to the following general categories:
  - a. Capital Equipment Financing
  - b. Financing of Real Property
3. Projects that are not appropriate for spreading costs over future years will not be debt financed.

### Capital Equipment Financing

4. Although lease obligations can be a routine and appropriate means of financing capital equipment, lease obligations also have the greatest impact on debt capacity and budget flexibility. Therefore, efforts shall be made to fund capital equipment with pay-as-you-go financing where feasible, and only the highest priority equipment purchases should be funded with lease obligations.
5. All equipment with a useful life of less than six (6) years shall be funded on a pay-as-you-go basis unless the following conditions are met:
  - a. In connection with the Proposed Budget, the Mayor makes a finding that there is an "economic necessity" based on a significant economic downturn, earthquake, other natural disaster, or there are no other viable sources of funds to purchase the equipment;
  - b. The City Council concurs with the Mayor's finding in the adoption of the budget; and,
  - c. The various Debt Affordability Ceiling, as discussed earlier in Debt Affordability and Capacity, are not exceeded except as provided for in said section.

### Financing of Real Property

6. Lease financing for facilities and real property is appropriate if the City desires to finance them from existing revenue sources, and not through voter-approved bonds secured by an increase in property taxes.
7. There are alternative ways to deliver large capital projects through public-private partnerships (P3) where government entities and private-sector businesses enter into agreements to finance, build, and/or operate the projects. As part of a P3 agreement, the government entities typically makes availability payments and possibly construction milestone payments. In some cases, the government entity may issue bonds to support the P3 project. When considering a P3 project, the City should determine the financial impacts and understand how the rating agencies will treat the availability payments and construction milestone payments as debt, as a contingent liability, or neither.

### Asset Transfer Lease

8. An Asset Transfer is when an asset other than the asset being financed with the proceeds of lease revenue bonds is used to support the lease payments. The City will use "asset transfer" or "asset strip" leases to finance capital needs when there are no other viable financing options or to reduce the amount of interest that must be funded out of proceeds, since lease payments cannot commence until the asset that is being leased is available for use and occupancy.
9. An Asset Transfer Lease may be used if significant savings in financing costs can be generated compared to other financing alternatives. This type of legal structure secures the City's lease financing commercial paper programs.

### Capitalized Interest

10. Funding interest payments to investors out of debt proceeds (Capitalized Interest) increases the amount of debt to be issued and therefore should be avoided unless essential from a legal standpoint, as in the case of lease-purchase obligations secured by the financed asset, or a project financing expected to be repaid out of project revenues.
11. Interest on General Obligation Bonds will not be capitalized, except out of bond premium.
12. Generally, interest on lease-purchase obligations will be capitalized for a maximum of one year following a conservatively based estimate of project completion to provide a cushion for project slippage. Commercial paper can be used to provide interim project funding and avoid the cost of capitalized interest.

## **VARIABLE INTEREST RATE DEBT**

### Purpose and Use of Variable Interest Rate Debt

1. The City may use variable interest rate debt instruments as a balance sheet management tool, offsetting the risks inherent in variable rate assets such as investments. The maintenance of variable rate debt liabilities in an amount equal to or less than the amount of variable rate assets reduces the City's overall risk of exposure to changes in interest rates.
2. The City may use variable interest rate debt instruments to achieve an expected lower net cost of borrowing with respect to the City's debt by accepting a limited level of interest rate risk.
3. The City may use variable interest rate debt instruments as a tool for interim financing. Since the expectations of variable rate investors are, by their nature, short-term, variable rate debt can be redeemed on short notice. Variable rate debt does not have a fixed rate but varies anywhere from daily to yearly mode, thus allowing flexibility in refunding them at any time without any penalty in the form of a payment for calling the bonds (known as a call premium) or higher initial interest rates.
  - a. Variable rate debt is a preferred tool for financing projects for which a prepayment or restructuring is a high probability.
  - b. Certain variable rate products, most notably commercial paper, can be issued incrementally as funds are needed to finance current construction, and can reduce the long-term cost of construction financing. Usually commercial paper will be refunded with a long-term financing when the project is completed.
4. Before implementing any variable interest rate debt strategy designed to serve as a hedge against interest rate risk, the CAO will provide an analysis of asset and liability balance on a fund-by-fund basis and include it in its report to the Mayor and City Council when recommending variable rate debt.
5. When considering variable rate debt, it is important for the City to consider both the interest rate as well as the ongoing fees for credit enhancement (letter of credit) and remarketing of the bonds for an all-in cost comparison.

### Types of Variable Interest Rate Debt

6. Variable Rate Bonds: It is often appropriate to issue variable rate bonds to diversify the debt portfolio and improve the match of assets to liabilities. Variable rate debt may also provide interest cost savings. If variable rate bonds are used, the CAO will periodically, but at least annually, determine if it is appropriate to convert the debt to a fixed interest rate.

7. Commercial Paper Notes: Commercial Paper (CP) is a short-term obligation with maturities ranging from 1 to 270 days. It is often used as interim financing until a project is completed to take advantage of lower interest rates. CP is typically backed by a bank letter of credit. Once a project is completed, the CAO may recommend refunding CP with a long-term financing obligation, if appropriate.
8. Synthetic fixed rate: In some markets, the City can simultaneously issue variable rate debt and enter into corresponding swap agreements that have the effect of creating a net fixed rate obligation at a lower net interest cost than the cost of issuing traditional fixed rate debt.

#### Considerations for Use of Variable Interest Rate Debt

9. The use of variable interest rate debt instruments should be analyzed as part of a balance sheet risk mitigation strategy to determine the appropriate amount of variable rate debt to be issued for risk mitigation purposes based on an analysis of the following factors with reference to the funds that will be repaying the debt:
  - a. The historic average of cash balances over the course of several prior fiscal years.
  - b. The projected cash balances based on known demands on a given fund and on City's fund balance policies.
  - c. Any basis risk, such as the difference in the performance or duration of the City's investment vehicle compared to the variable rate debt instrument to be used by the City.
10. The use of variable interest rate debt instruments should be analyzed as part of a strategy that benefits from the out-performance of the variable rate market to fixed rate debt, and to determine the appropriate level of risk exposure for the City to accept.
  - a. Based on market convention, a debt portfolio that contains up to 25% of variable rate debt is generally acceptable.
  - b. In determining the amount of risk the City should take, the CAO should consider the specific fund exposed to the risk, and the budgetary flexibility that fund has in accommodating such risk.
  - c. The analysis of risk exposure should be performed on the basis of "net" risk; that is, variable rate liability exposure net of any interest rate hedge provided by the availability of cash or risk mitigation tools such as interest rate swaps.

11. Recommendations regarding the use of variable interest rate debt instruments for Interim Financing should consider issuing commercial paper in connection with its major debt-financed construction programs, especially when interest earnings on construction and capitalized interest funds are at a rate lower than the rate of long-term bonds, thereby increasing the amount of debt that must be issued to fund a program. Variable rate debt should also be considered in lieu of a long-term fixed rate financing when a refunding or restructuring of the debt is likely due to potential changes in use of the project or credit quality.

#### Selection and Diversification of Firms

12. In selecting remarketing agent for variable rate debt and commercial paper dealers, the City generally should choose multiple remarketing agents to diversify its exposure and create more competition among the various remarketing agents.
13. In selecting institutions to provide liquidity or credit enhancement, the City should generally seek to diversify its exposure. At times, based on the amount of the transaction and the project itself, one institution may be chosen.

#### Budgeting for Debt Service

14. The CAO will analyze each variable interest rate debt program to determine the required budget amount for debt service. The factors to be analyzed include historic interest rates, projected interest rates, the effect of risk mitigation products such as interest rate swaps or caps, and the availability of fund balances carried-forward from savings in previous years. Due to the uncertainty inherent in the financial markets and to protect against potentially increasing variable interest rates, the CAO may recommend budgeting for higher than anticipated debt service payments as the appropriate budget amount. This analysis shall be done in conjunction with the formulation of the Mayor's Proposed Budget.

#### Monitoring and Reporting

15. The CAO will manage the City's variable interest rate debt programs, including comparing the performance of actual interest rates compared to the interest rates assumed at the time of budget formulation.
16. The CAO will recommend any appropriate mid-year budget adjustments to debt service payments based on the performance of actual interest rates compared to the interest rates assumed at the time of budget formulation.
17. The CAO will review and report on the following on a periodic basis, to the extent applicable:

- a. Whether balances remaining at the end of the fiscal year, accruing from actual lower interest rates than those assumed in the budget process, will be reserved for future interest rate stabilization or otherwise applied for interest rate management or principal redemption.
- b. The performance of the individual remarketing agents as compared to other remarketing agents, other similar programs and market indices.
- c. The factual circumstances, such as balance sheet factors or the relative amount of debt that supported the original issuance of the variable rate debt.

## **INTEREST RATE SWAPS**

In 2003, the City adopted an “Interest Rate Risk Mitigation Products Policy,” primarily to govern the use of interest rate swaps that, when combined with variable interest rate debt, resulted in a pair of matched obligations to create “synthetic” fixed rate obligations. Because the use of this approach is no longer common in the municipal market, and it is the City’s expectation that it will not be used in the future, the Interest Rate Risk Mitigation Products Policy has been deleted from the overall Debt Management Policy. A revised policy must be approved by the Mayor and City Council should the use of swaps be considered in the future.

## **MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES LEASE REVENUE PROGRAM**

### Purpose and Use of Municipal Improvement Corporation of Los Angeles (MICLA) Debt

1. MICLA is a non-profit corporation established by the City of Los Angeles in 1984 to serve as the lessor in lease-purchase transactions involving the City. MICLA was organized for social welfare purposes within the meaning of Section 501(c)(4) of the Internal Revenue Code. Board members were originally appointed by the Mayor and concurred by the City Council. Appointments to subsequent vacancies are made by the Board with the concurrence of the City Council. MICLA plays no active role in either the procurement of funds or equipment (the financed projects), but must review and approve the projects proposed by the City for financing through MICLA.
2. MICLA funding may come in the form of fixed interest rate, variable interest rate, or commercial paper.
3. The Mayor and City Council approved the MICLA Lease Revenue Commercial Paper Note Program (CP Program) for the purpose of financing the acquisition of various capital assets, including capital equipment and real property.
  - a. The CP Program gives the City flexibility in financing its capital program, including quicker implementation and reduced costs.
  - b. The City may from time to time have more than one MICLA CP Program for a specific purpose, such as improvements to the Los Angeles Convention Center.
  - c. The CP Program is designed to be a form of Bond Anticipation Note, with lease revenue bonds being issued from time to time to refund the CP and provide permanent financing.

### Administrative Procedures

4. On an annual basis, departments will send requests to have projects (capital equipment and real property) included in the Mayor's Proposed Budget. Final approval of all projects will be made through the Adopted Budget.
5. The CAO, at its discretion, will determine the appropriate financing method and instrument (fixed rate, variable rate or commercial paper) for each project. The CAO may use a combination of methods and instruments such as CP for the initial financing of a project and then refinance the outstanding CP into fixed rate debt once the capital equipment is purchased or when the real property acquisition and/or improvements are completed.

6. The CAO is responsible for the overall management of the MICLA program and has been delegated by the MICLA Board to perform most MICLA responsibilities. For the CP Program, these responsibilities include the following:
  - a. Requesting that the dealers issue new CP notes as needed to fund approved projects.
  - b. Managing the roll-over of maturing notes until there is a long-term take out financing.
  - c. Planning and executing the take-out financing.
  - d. Budgeting for debt service and on-going administrative expenses.
7. The City Controller is responsible for creating and maintaining all MICLA Funds, and approving demands in the same manner as other City funds. The City Controller will also provide quarterly reports to show the financial condition of all the MICLA Funds.
8. Each department that uses MICLA Funds is responsible for awarding contracts, encumbering funds, processing payment for approved projects, and providing the CAO sufficient information so that either CP or long-term debt can be issued in a timely as-needed basis.
9. Each department that uses MICLA Funds must submit an expenditure plan prior to gaining approval to fund any project and then submit updates every six (6) months or when required by the CAO for refinancing and compliance purposes.
10. On an annual basis, or as frequently as directed by the CAO, each department that uses MICLA Funds must submit a Certification of Use of Proceeds.

### Debt Structure

11. It is good practice for the City to pay interest on CP as it becomes due to avoid issuing CP for interest that would be considered capitalized interest. Principal is usually refinanced into fixed rate or can be paid down as part of the Adopted Budget.
12. The decision to issue long-term debt with variable or fixed-rate bonds will be determined by interest rates, the market, and the useful life of the asset. Usually, when a project funded with CP is completed, it will be refinanced into long-term debt for the remainder of its useful life or retired with cash.

## MICLA Operating Guidelines

13. MICLA funding (long-term and CP) approved in the Adopted Budget will be made available to departments as early in the fiscal year as practicable, unless a determination is made by the City Council that an alternate financing method can efficiently meet the City's needs.
14. Departments are required to follow the Post-Issuance Compliance procedures for all capital equipment or real property purchased through MICLA. Failure to do so could adversely affect the tax-exempt status of the bonds and commercial paper.
15. MICLA funding shall be provided for the purchase, improvement and construction of real property for which final plans and/or design have been completed and are ready for bid award.
16. MICLA funding shall only be provided for those capital equipment items that have the highest priority as described in the eligibility equipment guidelines below. More specific criteria may be provided in the Mayor's Annual Budget Policy Memo.
17. MICLA funds that remain unspent for a period longer than three years from the date of availability shall be subject to reversion to pay debt service and/or to offset new MICLA projects. Any exceptions shall require Mayor and City Council approval. The City Controller and the CAO are authorized to implement this Policy and to ensure funds and accounts are closed at the appropriate time.
18. MICLA authorizations that remain unspent for a period longer than three years from the date of availability shall be swept and no longer available for expenditure. Any exceptions shall require Mayor and City Council approval. The City Controller and the CAO are authorized to implement this Policy and to ensure funds and accounts are closed at the appropriate time.
19. The General Services Department (GSD) should only approve departmental purchase order changes resulting from safety or regulatory reasons that occur during the ordering period.
20. GSD and user departments will limit custom order vehicles to instances when manufacturers do not have standard models that will reasonably meet the City's operational requirements.
21. The following guidelines will be used to determine eligibility for capital equipment to be purchased with MICLA:
  - a. All capital equipment should have a minimum useful life of six (6) years with a goal of financing mostly equipment with a useful life of 10 years or

more. Useful life means a period of time during which an asset will provide the desired service to the department using it. The useful life of a piece of technical equipment could be substantially less than the term of its expected use by the City (e.g., computers due to technical obsolescence are not eligible).

- b. Equipment must directly support the delivery of essential or core government services.
- c. Large bulky equipment that are not easily transportable or hidden such as fire apparatuses, construction equipment, dozers, heavy trucks, and helicopters are generally appropriate for MICLA lease financing. The City will avoid debt financing equipment such as servers, software, radios, antennas, testing materials, police black and white patrol vehicles, and motorcycles as their depreciation and damage rates are typically high.
- d. The City has a goal of financing capital equipment (plus set-up accessories) with a minimum total unit cost of \$250,000. Not all capital equipment, however, can meet this goal due to the nature of the equipment.

## CONSULTANTS

### Retention of Consultants

1. All municipal advisors, bond counsel, underwriters, and other as needed market participants (i.e. trustees and arbitrage consultants) will be selected through a RFP or Request for Qualifications (RFQ) process, whichever is most appropriate given the circumstances.
2. In isolated instances, contracts may be awarded on a sole source basis if it is clear that a RFP/RFQ process would not be feasible or in the City's interests.
3. The City's contracting policies, in effect at the time, will apply to all contracts with public finance professionals, as permitted by federal and state laws. Generally, the terms of the contracts for municipal advisor and bond counsel will depend on each financing program.
4. Generally, municipal advisors, bond counsel teams, and underwriters who participate in City contracts should, but are not required, to have an office in the County of Los Angeles. Exceptions may be made for smaller firms serving as co-bond counsel or co-municipal advisor, and who are seeking to expand their client base and open new offices. Additionally, exceptions will be made when specialized expertise is required and such expertise is best provided by a firm located outside of the County.
5. Depending on particular expertise and consultant availability, some firms may be used on more than one program. Efforts will be made, however, to establish different teams to provide a number of firms the opportunity to participate in City contracts.
6. In the event that the City issues bonds through a negotiated sale, the selection of underwriters will generally be for a single transaction. However, underwriters may be selected for multiple transactions if multiple issuances are planned for the same project.
7. All municipal advisors or firms acting as municipal advisors must be registered with the Municipal Securities Rulemaking Board (MSRB).

### General Municipal Advisors

8. The City will retain a general municipal advisory team to provide general advice on the City's debt management program, financial condition, budget options, and rating agency relations.

9. The general municipal advisors will structure the City's General Obligation Bond issuances and may be used on an as-needed basis to structure bond issuances that do not fall into the other categories of City debt obligations.

#### Municipal Advisors

10. The City will retain municipal advisors for each bond financing or transaction. The CAO will issue either a RFP or RFQ depending on the needs of the City.
11. The CAO will usually recommend two municipal advisors for each transaction depending on the size, complexity, and timing of the bond sale or transaction.

#### Legal Counsel Services

12. A Legal Counsel team may consist of separate Bond Counsel, Special Tax Counsel, and Disclosure Counsel depending on the specifics of the financing.
13. The City Attorney has Charter authority to hire outside counsel and will work with the CAO to hire appropriate legal counsel for each transaction.

#### Use of Independent Municipal Advisors on Competitive Sales

14. The City will hire municipal advisors who are independent and do not participate in the underwriting or trading of bonds or other securities.
15. Under certain circumstances it may be in the City's best interests to hire an investment banking firm to act as co-municipal advisor on a specific bond issue. These may be referred to as sell side advisors. In these instances, the firm will not be permitted to bid on the bonds for which the firm is acting as municipal advisor.

#### Use of Independent Municipal Advisors on Negotiated Sales:

16. In a negotiated sale, the City will hire municipal advisors who do not participate in the underwriting or trading of bonds or other securities to represent the City.
17. The City may hire an underwriter to act as municipal advisor to the City as part of a negotiated sale only if all independent municipal advisory firms, which responded to the RFP, are found to be unqualified.
18. If no independent municipal advisory firms were found to be qualified, an underwriter could be the municipal advisor. This firm would be prevented from participating in the underwriting of the transaction, including any profit sharing or other type of agreement with any member of the underwriting team for the transaction.

### Use of Municipal Advisors for Investment Advice

19. Although the City Treasurer makes all investment decisions relative to temporary investments pending the expenditure of bond proceeds, the municipal advisor may provide investment advice on refinancings and other transactions with specialized investment needs.
20. Under no circumstances will the City enter into any investments for which the municipal advisor receives any fee or compensation from the investment provider or any outside party.

### Disclosure by Financing Team Members

21. All financing team members will be required to provide full and complete disclosure, as required under MSRB rules, relative to any and all agreements with other financing team members and outside parties. The extent of the disclosure may vary depending on the nature of the transaction.
22. No agreements will be permitted that would compromise any firm's ability to provide independent advice that is solely in the best interests of the City, or that could reasonably be perceived as a conflict of interest.

## **POST-ISSUANCE TAX COMPLIANCE**

The CAO is responsible for the development and implementation of procedures to ensure the compliance with applicable federal tax laws to maintain the tax-exempt status of its debt obligations. The CAO will have primary responsibility to coordinate with the applicable City departments and monitor the use of tax-exempt bond proceeds.

## **DISCLOSURE**

### Purpose

1. It is the policy of the City to fully comply with applicable state and federal securities law, and with the terms of its contractual agreements executed pursuant to Rule 15c2-12, adopted by the Securities and Exchange Commission, to provide financial and operating data periodically and timely notices of certain events or other reporting requirements.

### Objectives

2. To ensure compliance with applicable federal and state securities laws with respect to the securities that it issues, including with respect to any statement or other communication that is intended (or reasonably can be expected) to be accessible to and reasonably relied upon by investors in the City's securities, in order to:
  - a. Reduce and manage the City's (and its officials' and employees') exposure to liability for damages and enforcement actions based on misstatements or omissions;
  - b. Demonstrate that the City has taken reasonable care to avoid, to the best extent possible, the occurrence of misstatements or omissions;
  - c. Promote best practices regarding the preparation of disclosure documents;
  - d. Avoid damage to residents of the City and other third parties stemming from misstatements or omissions; and
  - e. Potentially reduce borrowing costs by establishing a reputation for providing good disclosure and thereby promoting good investor relations.

### Procedures

3. The CAO is responsible for the development and implementation of procedures to ensure compliance with this Disclosure Policy. The procedures promulgated by the CAO will establish a framework for compliance with, and adherence to, applicable state and federal securities laws relating to disclosure with respect to the City's primary offering documents, continuing disclosure certificate and filings, required state reporting, audited financial statements, websites and social media, and any public statements, among other things as determined by the CAO.

## CONDUIT FINANCING

### General

1. Conduit Finance and City Liability: A “conduit financing” is the issuance of municipal securities by a governmental unit such as the City (referred to as the “issuer” or the “conduit issuer”) to finance a project to be used primarily by a third party, which may be a for-profit entity engaged in private enterprise, a 501(c)(3) organization, or another government entity, which are all referred to as “conduit borrowers.” In a conduit financing, the conduit borrower is responsible for making debt service payments on the bonds. If the project fails and the security goes into default, it is the conduit borrower’s financial obligation, and not the City’s obligation as the conduit issuer.
2. Applicability and Administration: This Conduit Financing Policy applies where the City acts as a conduit issuer for a 501(c)(3) organization to finance projects such as hospitals, retirement facilities, museums, and community centers. The CAO will be responsible for managing these conduit financings. Conduit financings associated with affordable housing shall be undertaken in accordance with HCID’s debt policy. The CAO, however, has oversight responsibilities to review all bond transactions conducted by the HCID.

### Conduit Procedures

3. Pre-application Meetings: Early communication with Council Office staff and the CAO is recommended. In most cases, a meeting of the conduit borrower, also referred to herein as the “applicant”, the CAO, and the Council District staff, in which the project is located, will be required prior to submission of the formal application for funding.
4. Selection of Financing Team: The applicant will select its own financing team (e.g. underwriters and bond counsel), subject to the approval of the City.
5. Form of Application: Applications will be in the form of a letter request, to be submitted to the Council Office in which the project is located. The letter will request that the matter be forwarded to the CAO Debt Management Group for processing and reporting to the Mayor and City Council with a review of the project, identification of any potential impact to the City, and recommendations relative to proceeding with the conduit financing.
6. Application Information: The application letter should include the name, address and telephone number of all principals, including underwriter and bond counsel; a history of the applicant and its facilities; the population served by the facilities, including, if applicable, the percentages that receive some form of public assistance such as Medicare or Medicaid and the percentages that are residents of the City of Los Angeles; the population employed at the facilities; a complete

description of the proposed project(s) to be financed; the sources and uses of funds; and, a complete statement of the public purpose served through the conduit financing.

7. Application Review: City staff will review the application and obtain other information as required. A report will be made to the Mayor and City Council recommending whether or not the City should initiate financing activities. This action may include inducement of the project for federal tax purposes. Subsequently, assigned departmental staff will coordinate the completion of documents with the applicant, which will be submitted to the City Council for approval.
8. Public Hearing: The Tax Equity and Fiscal Responsibility Act of 1982 (the "TEFRA") requires that a public hearing be held to allow for the public to voice any objections to the project (the "TEFRA hearing"). If any entity other than the City (e.g. joint powers authority), is acting as the conduit issuer, the City's involvement begins and ends with the TEFRA hearing. In cases where the City is acting as the conduit issuer, the TEFRA hearing will be held in conjunction with consideration of the resolution authorizing the sale of the bonds.

#### Conditions for Consideration

9. Minimum Credit Ratings: Generally, all conduit financings should have a minimum credit rating of AA from any of the recognized rating agencies, and must be rated by at least two of the rating agencies. If the underlying rating of the borrower is not sufficient to provide the minimum rating, the financing must have credit support that will result in the minimum rating.
10. Public Benefit: The proposed conduit financing must have a public benefit to the residents of the City of Los Angeles that is sufficient to merit the City's participation.
11. Non-Sectarian Nature: While religious ownership and sponsorship of a project are acceptable, the project for which bond proceeds will be utilized cannot be used for any sectarian purpose. In analyzing the sectarian nature of a project, the City may rely on an opinion issued by the California State Attorney General on this matter, which address both federal and state constitutional prohibitions against public support for religious institutions.
12. Fees: The City will charge a fee, payable from bond proceeds, to pay for all of its costs in undertaking a conduit financing. The fee will vary depending on the complexity of the project and will be determined prior to adoption of the resolution authorizing the sale of the bonds.
13. Document Requirements: The following will be applicable to all documents related to conduit financings:

- a. All contracts to which the City is a party will comply with all City contracting provisions in effect at the time the contracts are executed.
- b. The transaction will be clearly structured as a limited obligation payable strictly from revenues from the conduit borrower, and the City will in no way be obligated to make payments on the bonds as a result of default.
- c. The conduit borrower will fully indemnify the City.
- d. The conduit borrower will provide annual financial statements to the City and a statement that there has been no default or other material event that requires disclosure. Additionally, the conduit borrower will covenant to expeditiously provide additional information to the City and investors as may reasonably be requested. The conduit borrower will covenant to immediately inform the City of any event that materially affects the organization and may require disclosure and be liable for any costs incurred in connection with providing additional disclosure to investors, bond rating agencies or other parties.
- e. In addition to monthly statements and other information provided for in the trust indenture, the Trustee will covenant to provide information to the City and investors as may reasonably be requested.
- f. Closing documents will include a contract with an arbitrage consultant.
- g. The conduit borrower will deem the preliminary official statement final for SEC purposes and will sign the final official statement.
- h. The name of the City of Los Angeles in the masthead of the official statement will be in the smallest type size used in that location and the name of the conduit borrower will be larger and more prominently displayed than that of the City.
- i. Throughout the official statement, the limited obligation of the City will be clearly disclosed.
- j. Private placements may not require marketing or disclosure documents such as an official statement or credit ratings.