



**Agenda**  
**City of Vernon**  
**Special City Council Meeting**  
**Monday, November 08, 2021, 03:00 PM**  
**City Hall, Council Chamber**  
**4305 Santa Fe Avenue**  
**Vernon, California**

**Melissa Ybarra, Mayor**  
**William Davis, Mayor Pro Tem**  
**Leticia Lopez, Council Member**  
**Crystal Larios, Council Member**  
**Judith Merlo, Council Member**

**MEETING ATTENDANCE PROTOCOLS**

Assembly Bill 361 (AB 361) authorizes public meetings to take place via teleconference because State and Local officials are recommending measures to promote social distancing. Meetings are conducted in a hybrid format that includes both in-person and Zoom participation.

The public is encouraged to view the meeting at <https://www.cityofvernon.org/webinar-cc> or by calling (408) 638-0968, Meeting ID 842-9815-0716#. You may address the Council via Zoom or submit comments to [PublicComment@ci.vernon.ca.us](mailto:PublicComment@ci.vernon.ca.us) with the meeting date and item number in the subject line.

**CALL TO ORDER**

**FLAG SALUTE**

**ROLL CALL**

**APPROVAL OF THE AGENDA**

**PUBLIC COMMENT**

Members of the public interested in addressing the City Council during this Special Meeting may address any item which has been described in the notice of this Special Meeting before or during consideration of that item in accordance with Government Code Section 54954.3(a). For Closed Session matters members of the public shall be provided an opportunity to address the City Council before the Council recesses into Closed Session.

## NEW BUSINESS

### 1. Finance/Treasury

Appointment of Goldman Sachs & Co. for Investment Banking and Underwriting Services

Recommendation:

Appoint Goldman Sachs & Co. (Goldman Sachs) as underwriters for Malburg Generating Station (MGS) bond issuance in accordance with staff's recommendation.

1. Investment Banking and Underwriting Services RFP

2. Goldman Sachs Proposal for Investment Banking and Underwriting Services

## ORAL REPORTS

City Administrator Reports on Activities and other Announcements.

City Council Reports on Activities (including AB 1234), Announcements, or Directives to Staff.

## CLOSED SESSION

### 2. CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Government Code Section 54956.8

Property: Malburg Generating Station, 2715 East 50th Street, Vernon, California

Agency negotiator: Carlos Fandino, City Administrator

Negotiating parties: Bicent (California) Malburg LLC

Under negotiation: Consideration of Price and Terms of Payment

## CLOSED SESSION REPORT

## ADJOURNMENT

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing agenda was posted on the bulletin board at the main entrance of the City of Vernon City Hall, located at 4305 Santa Fe Avenue, Vernon, California, and on the City's website, not less than 24 hours prior to the meeting set forth on this agenda.

Dated this 4<sup>th</sup> day of November, 2021.

By:                                 /s/                                  
Sandra Dolson, Administrative Secretary

## Guide to City Council Proceedings

**Meetings** of the City Council are held the first and third Tuesday of each month at 9:00 a.m. and are conducted in accordance with Rosenberg's Rules of Order (Vernon Municipal Code Section 2.1-1).

**Copies** of all agenda items and back-up materials are available for review in the City Clerk Department, Vernon City Hall, 4305 Santa Fe Avenue, Vernon, California, and are available for public inspection during regular business hours, Monday through Thursday, 7:00 a.m. to 5:30 p.m. Agenda reports may be reviewed on the City's website at [www.cityofvernon.org](http://www.cityofvernon.org) or copies may be purchased for \$0.10 per page.

**Disability-related services** are available to enable persons with a disability to participate in this meeting, consistent with the Americans with Disabilities Act (ADA). In compliance with ADA, if you need special assistance, please contact the City Clerk department at [CityClerk@ci.vernon.ca.us](mailto:CityClerk@ci.vernon.ca.us) or (323) 583-8811 at least 48 hours prior to the meeting to assure arrangements can be made.

The **Public Comment** portion of the agenda is for members of the public to present items, which are not listed on the agenda but are within the subject matter jurisdiction of the City Council. The City Council cannot take action on any item that is not on the agenda but matters raised under Public Comment may be referred to staff or scheduled on a future agenda. Comments are limited to three minutes per speaker unless a different time limit is announced. Speaker slips are available at the entrance to the Council Chamber.

**Public Hearings** are legally noticed hearings. For hearings involving zoning matters, the applicant and appellant will be given 15 minutes to present their position to the City Council. Time may be set aside for rebuttal. All other testimony shall follow the rules as set for under Public Comment. If you challenge any City action in court, you may be limited to raising only those issues you or someone else raised during the public hearing, or in written correspondence delivered to the City Clerk at or prior to the public hearing.

**Consent Calendar** items may be approved by a single motion. If a Council Member or the public wishes to discuss an item, it may be removed from the calendar for individual consideration. Council Members may indicate a negative or abstaining vote on any individual item by so declaring prior to the vote on the motion to adopt the Consent Calendar. Items excluded from the Consent Calendar will be taken up following action on the Consent Calendar. Public speakers shall follow the guidelines as set forth under Public Comment.

**New Business** items are matters appearing before the Council for the first time for formal action. Those wishing to address the Council on New Business items shall follow the guidelines for Public Comment.

**Closed Session** allows the Council to discuss specific matters pursuant to the Brown Act, Government Code Section 54956.9. Based on the advice of the City Attorney, discussion of these matters in open session would prejudice the position of the City. Following Closed Session, the City Attorney will provide an oral report on any reportable matters discussed and actions taken. At the conclusion of Closed Session, the Council may continue any item listed on the Closed Session agenda to the Open Session agenda for discussion or to take formal action as it deems appropriate.

# City Council Agenda Item Report

Agenda Item No. COV-848-2021

Submitted by: Angela Melgar

Submitting Department: Finance/Treasury

Meeting Date: November 8, 2021

## **SUBJECT**

Appointment of Goldman Sachs & Co. for Investment Banking and Underwriting Services

## **Recommendation:**

Appoint Goldman Sachs & Co. (Goldman Sachs) as underwriters for Malburg Generating Station (MGS) bond issuance in accordance with staff's recommendation.

## **Background:**

Staff seeks to finance the acquisition of MGS through issuance of revenue bonds. Interest rates continue to hover near an all-time low, and the transaction is expected to close mid-December 2021. The underwriter is one of the key participants in the issuance of bonds.

The primary function of the bond underwriter is to develop the financing plan, market, sell and underwrite the bonds. Other duties include creating a rating strategy to optimize the City's presentation to rating agencies, and identifying ways to enhance the City's capital markets strategy across projects and credits to identify potential opportunities. The underwriter reviews the Official Statement for the bonds in accordance with Federal Securities laws, as applied to the facts and circumstances of the transaction. Finally, the underwriter will review all disclosure documents developed by the bond and disclosure counsel.

On October 14, 2021, City staff issued a Request for Proposals (RFP) for Investment Banking and Underwriting Services for three project categories: 1) Redevelopment Agency Financing, 2) Pension Obligation Financing, and 3) Financing of Major Maintenance/Infrastructure Improvements and Asset Acquisitions. The RFP was distributed to the following ten (10) firms that specialize in public bond financing: Bank of America Merrill Lynch, Piper Sandler, Raymond James & Associates, Inc., Goldman Sachs, Citigroup Global Markets Inc., Hilltop Securities Inc., J.P. Morgan, Morgan Stanley, Samuel A. Ramirez & Co., Inc., RBC Capital Markets, and Stifel Public Finance. In an effort to maximize the diversity of the firms notified, staff advertised the RFP on PlanetBids, via which nineteen (19) vendors were notified, including the aforementioned. Timely proposals were received from the following seven firms: Citigroup Global Markets, Raymond James & Associates, Inc., Drexel Hamilton, Goldman Sachs, Hilltop Securities Inc., Stifel Public Finance, and Samuel A. Ramirez & Co., Inc. Only four of the seven proposals responded to the MGS acquisition project specifically: Goldman Sachs, Samuel A. Ramirez & Co., Inc., Raymond James & Associates, Inc., and Hilltop Securities Inc. Separate evaluations will be conducted for each of the additional projects at a later date, and multiple underwriters may be selected.

A review panel evaluated the four acquisition project proposals received from qualified respondents. A comprehensive and impartial evaluation of the proposals was conducted in accordance with the specifications set forth within the RFP on the basis of four weighted criteria: Qualifications 40%, Costs and Fees 30%, Responsiveness 10%, and References 20%. Goldman Sachs was determined to be the best fit due to the firm's exceptional qualifications, competitive prices, and past experience. As a leading firm in the industry, Goldman Sachs' will facilitate a prudent process that is aligned with the MGS

project's expedited timeline. Additionally, Goldman Sachs' extensive sales and distribution platform, and integrated distribution team will help the City achieve attractive pricing. At this time, staff recommends that the City Council appoint Goldman Sachs as underwriters for the MGS bond issuance in order to allow the firm to commence their work on this transaction.

**Next Step in Bond Process:**

Upon finalizing the Series 2021 bond financial requirements and disclosure documents, City Council will be briefed on the specifics of the bonding transaction before proceeding with a final sale. At that time, staff will request that Council approve a resolution to move forward with the bond transaction, including approval of the Bond Purchase and Sale Agreement with Goldman Sachs, and authorization for the Director of Finance to accept or reject bids and set the interest rates on the bonds sold. A calculation will be completed by the City's Financial Advisor to determine the lowest cost investor bids to be accepted. This information will be presented to City Council, and will be incorporated into the authorizing resolution.

**Fiscal Impact:**

The total estimated cost for investment banking and underwriting services is expected not-to-exceed \$669,000 based on a \$200 million bond transaction (\$3.342/\$1,000 bond), and will be paid from bond proceeds upon transaction completion. To the extent the transaction includes a forward settlement component, the takedown would increase by \$1.00/bond for the applicable bonds (\$4.00/bond). In a case where the transaction amount exceeds \$200 million, fees on a dollar per bond basis would remain the same, and the amount would scale with size.

**Attachments:**

- [1. Investment Banking and Underwriting Services RFP](#)
- [2. Goldman Sachs Proposal for Investment Banking and Underwriting Services](#)

**City of Vernon  
Request for Proposals (RFP)**

**Investment Banking and Underwriting  
Services**



**City of Vernon  
Finance Department  
4305 Santa Fe Avenue, Vernon, CA 90058  
Phone: (323) 583-8811**

## 1. **INTRODUCTION AND PROJECT**

The City of Vernon is requesting proposals for investment banking and underwriting services for the execution of a restructuring/refinancing of outstanding redevelopment agency debt, financing all or a portion of the City's Unfunded Accrued Liability (UAL) pension obligations, and financing for major acquisitions and/or maintenance and revenue-financed infrastructure improvements.

***Redevelopment Agency Financing:*** The City seeks to refinance its existing series 2005 Industrial Redevelopment Project Tax Allocation Bonds (of which \$30,785,000 is currently outstanding), and series 2011 Industrial Redevelopment Project Tax Allocation Bonds (Federally Taxable) (of which \$8,130,000 is currently outstanding), in order to realize interest rate savings.

***Pension Obligation Financing:*** The City is also interested in pursuing financing opportunities to benefit the City and increase financing options/flexibility in the near and long term and is exploring pension obligation bonds in order to stabilize UAL costs over time.

***Financing of Major Maintenance/Infrastructure Improvements and Asset Acquisitions:*** The City may engage in or pursue major maintenance projects, revenue-financed infrastructure improvements, and asset acquisitions in order to strengthen the City's infrastructure and long-term ability to provide necessary City services. The City is interested in pursuing financing opportunities to fund such maintenance, improvements and/or acquisitions.

Proposers may submit a proposal for one or multiple service categories. The City will select one or more firms, based on demonstrated competence and qualifications to perform investment banking and underwriting services. Proposers must demonstrate a comprehensive understanding of municipal finance.

The City intends to use this solicitation to select the firm(s) that, at the City's sole discretion, is/are found to offer the most favorable recommendations and terms. Depending on the structure and size of the chosen approach, the City may later, at the City's sole discretion, choose firms for co-manager roles. The City is not obligated to proceed with any transaction or to select any underwriting firm pursuant to this RFP.

## 2. **BACKGROUND**

The City of Vernon was founded in 1905, is approximately 5.2 square miles in size and is located approximately 5 miles southeast of downtown Los Angeles California. Over its long history, Vernon has been developed as an industrial community. At the turn of the 20<sup>th</sup> century the lands that make up Vernon were comprised largely of farmlands. The presence of three major rail lines in the area led influential business and property owners to encourage the railroad companies to run spur lines onto the farmlands. These rail extensions enabled the creation of an "exclusively industrial" city. By the 1920's, Vernon was attracting large stockyards and meatpacking facilities. In the 1930's, Vernon became the location of choice for many heavy industrial plants. As economic conditions changed over the decades, these large-scale industrial operations have relocated out of

Southern California and Vernon has attracted smaller, lighter industrial facilities. The City’s business friendly environment, low cost utilities and key location for trucking and rail transport continue to position Vernon as an ideal location for industrial uses.

**City Government:** The City Council consists of five members, elected at-large, who serve five-year staggered terms. A Mayor and a Mayor Pro Tem are annually appointed according to a rotation schedule based on year of election.

**Labor Force:** Vernon has approximately 225 employees, and its departments include a Police Department, Finance Department, Public Works Department, Public Utilities Department and Health and Environmental Control Department. Present bargaining units include the Vernon Police Officers Benefit Association, Vernon Police Management Association, International Brotherhood of Electrical Workers Local 47, and Teamsters Local 911.

**3. FINANCING CATEGORIES**

**A. FORMER REDEVELOPMENT AGENCY OUTSTANDING DEBT**

The City is considering opportunities to refinance the existing Series 2005 and Series 2011 (Taxable) Tax Allocation Bonds in an optimal way to decrease debt service and term. The former Redevelopment Agency currently has \$38,915,000 (as of 9/1/2021) of outstanding debt. The following table provides the maturity schedule of the two bonds.

Industrial Redevelopment Project Outstanding Debt Summary						
Series	Tax Status	Type	Original Issue Size	Outstanding Par	Call Option	Final Maturity
2005A	Tax-Exempt	Fixed Rate	49,420,000	30,785,000	9/1/2015	9/1/2035
2011A	Taxable	Fixed Rate	19,490,000	8,130,000	9/1/2021	9/1/2030

**B. PENSION OBLIGATIONS**

The City is also considering financing opportunities to finance all or a portion of its existing unfunded actuarial liability. As of the June 30, 2020 CalPERS valuations reports, the City’s UAL is \$146,631,689, as shown in the table below:

CalPERS Employer ID	Employer Name	Employer Plan	UAL Balance 6/30/22
3431795727	City of Vernon	Safety Fire	57,738,402
3431795727	City of Vernon	Safety Local Prosecutor	8,762
3431795727	City of Vernon	PEPRA Safety Fire	155,136
3431795727	City of Vernon	PEPRA Safety Police	62,844
3431795727	City of Vernon	Miscellaneous	52,417,380
3431795727	City of Vernon	Safety Police	36,249,165
			<b>146,631,689</b>



**C. FINANCING OF MAJOR MAINTENANCE/INFRASTRUCTURE IMPROVEMENTS AND ASSET ACQUISITIONS**

The City may engage in or pursue major maintenance projects, revenue-financed infrastructure improvements, and asset acquisitions in order to strengthen the City's infrastructure and long-term ability to provide necessary City services. The City is interested in pursuing financing opportunities to fund such maintenance, improvements and/or acquisitions.

**4. SCOPE OF SERVICES REQUIRED**

With respect to each type of contemplated financings, the City of Vernon is seeking the services of a highly qualified consulting firm to assist in the following:

- A. Provide continued analyses to help determine an optimal approach for financing/refinancing and other opportunities;
- B. Attend and participate in meetings related to the financing(s);
- C. Provide support services for completion of the financing(s), including periodical preparation of schedules and distribution lists;
- D. Provide ongoing information to the finance team regarding the activity and status of the financing(s) and market conditions, including regular updates to financing scales and numbers;
- E. Assist in preparation of presentations to rating agencies and investors;
- F. Structure, schedule, market, and purchase the bonds including underwriting any balances of unsold bonds;
- G. Present a timely, comprehensive summary of management performance; and
- H. Obtain bids for credit enhancement and recommend efficient utilization of available credit enhancement, including but not limited to bank facilities and bond insurance, if necessary.

**5. QUALIFICATIONS & CRITERIA**

- A. **Qualifications:** The City of Vernon may select one or more firms to provide the outlined Scope of Service on the bases of qualifications, experience, and cost. The following are the minimum qualifications to be used to evaluate responses to this Request for Proposals:

Respondents must have a minimum of five (5) years of municipal finance experience serving as an underwriter for acquisition, redevelopment and/or pension obligation transactions, as required based on the scope of proposed services. Experience in financing/refinancing similar sizes and types of bond issuances in the State of California is desired.

- B. **Selection Criteria:** The City will conduct a comprehensive, fair, and impartial evaluation of proposals received in response to this RFP. All proposals received will be reviewed and evaluated by a committee of qualified personnel. The name, information, or experience of the individual members will not be made available to any proposer. The Evaluation Committee will first review and screen all proposals submitted, except for the

## City of Vernon Investment Banking and Underwriting Services Request for Proposals

cost proposals, according to the minimum qualifications set forth above. The following criteria will be used in reviewing and comparing the proposals and in determining the highest scoring bid:

1. 40% Qualifications, background and prior experience of the firm in the Service Area(s) being proposed, experience of key staff assigned to oversee services provided to Vernon, evaluation of size and scope of similar work performed and success on that work.
2. 30% Cost and fees to the City for handling matters. Cost is not the sole determining factor but will be taken into consideration. Proposer must offer services at a rate comparable to the rate proposer offers to other governmental entities for similar work. Offering a higher rate to the City than the comparable rate is grounds for disqualification of the Proposer. If rates differ for different types or levels of service, or for different Service Areas, the Proposer should so state.
3. 10% Responsiveness to the RFP, and quality and responsiveness of the proposal.
4. 20% References including past performance of proposer.

### **6. FORMAT AND DELIVERY OF RESPONSE**

Respondents are asked to submit an electronic copy via email to Scott Williams, Director of Finance/City Treasurer to [swilliams@ci.vernon.ca.us](mailto:swilliams@ci.vernon.ca.us) of their proposals in sufficient detail to allow for a thorough evaluation and comparative analysis. The proposal should include, at a minimum, the following information in sectionalized format addressing all phases of the work in the RFP.

- A. **Format:** Limit your proposal to 15 typed 8.5" X 11" pages, or fewer. You may attach a firm brochure if you wish, but it must be as a separate attachment and independent from the required elements noted above.
  1. Use a conventional typeface with a minimum font size of 12 points. Use a 1" margin on all borders.
  2. Organize your submittal in the order described above.
  3. Prominently label the package: "Investment Banking and Underwriting Services RFP" and include the name of the primary contact for the respondent.
  4. Responses are due on or **before 5:00 p.m. on October 25, 2021.** Late response will not be accepted.
  5. If you have any questions about this RFP, please contact Scott Williams via email at [swilliams@ci.vernon.ca.us](mailto:swilliams@ci.vernon.ca.us). Please note that any questions asked and any response provided by Vernon will be sent to every person who will be submitting a proposal, to the extent the City is aware of them.

City of Vernon Investment Banking and Underwriting Services Request for Proposals

- B. **Cover Letter:** All proposals shall include a cover letter which states that the proposal shall remain valid for a period of not less than ninety (90) days from the date of submittal. If the proposal contemplates the use of sub-contractors, the sub-contractors shall be identified in the cover letter. If the proposal is submitted by a business entity, the cover letter shall be executed by an officer authorized to contractually bind the business entity. With respect to the business entity, the cover letter shall also include: the identification of the business entity, including the name, address and telephone number of the business entity; and the name, title, address and telephone number of a contact person during the proposal evaluation period.
- C. **Introduction:** Present an introduction of the proposal and your understanding of the assignment and significant steps, methods and procedures to be employed by the proposer to ensure quality deliverables that can be delivered within the required time frames and your identified budget.
- D. **General Scope of Work:** Briefly summarize the scope of work as the proposer perceives or envisions it for each Service Area proposed.
- E. **Work Plan:** Present concepts for conducting the work plan and interrelationship of all projects. Define the scope of each task including the depth and scope of analysis or research proposed.

Provide clear and concise responses to the following:

- 1. **Other Financing Opportunities.** Provide a summary of the firm's approach to other financing opportunities that could benefit the City. Specifically, provide a detailed discussion regarding the firm's recommendation of fixed versus variable rate bonds and the considerations surrounding same. Additionally, provide an opinion on an appropriate amortization schedule. If applicable, discuss the subtopics listed in the "Refinancing Approach" section below and how they affect the firm's other financing opportunities recommendation.
- 2. **Financing/Refinancing Approach.** Provide a summary of the firm's approach to debt financing/refinancing followed by a more detailed discussion of the ideas and considerations surrounding the recommended approach. If applicable, provide series-specific descriptions and results followed by the aggregate anticipated outcome. As part of the discussion, address the following as they relate to the recommended approach:
  - a. **Structure.** The proposal should include other alternatives explored and why those options were not selected as the primary recommendation.
  - b. **Credit Ratings.** Given the City's ratings and any information that can be ascertained from rating agency reports, disclosure documents and financials, which ratings should the City plan to

seek in association with the recommended transaction? Provide information on how many ratings the firm would recommend procuring and which rating agencies the firm recommends approaching. Which ratings does the firm expect City to receive? What are the primary areas of concern and how does the firm recommend addressing them? What implications will the proposed refinancing have on credit ratings and how should they be addressed?

3. **Approach to Sale.** Detail the recommended approach to the potential bond sale associated with the recommended refinancing approach. Describe the firm's marketing strategy, including: retail order period, net roadshow, sealed bid, syndicate policies, etc. Explain how the firm intends to sell the bonds at the best rates and include the firm's proposal for total compensation and liability.
- F. **Fees and costs:** Although an important aspect of consideration, the financial cost estimate will not be the sole justification for consideration. Negotiations may or may not be conducted with the proposer; therefore, the proposal submitted should contain the proposer's most favorable terms and conditions, since selection and award may be made without discussion with any firm. All prices should reflect "not to exceed" amounts per item. Proposer must offer services at a rate comparable to the rate proposer offers to other governmental entities for similar work. Offering a higher rate to the City than the comparable rate is grounds for disqualification of the Proposer.

Please provide a maturity-by-maturity takedown request for the potential transaction assuming only one underwriter is selected. The City may ultimately decide to appoint a co-manager or group of co-managers to work with the lead manager which the City is intending to select. Also please detail all expected expenses and management fee in a dollar-per-bond format. Assume \$50,000 for Underwriter's Counsel. Proposer must offer services at a rate comparable to the rate Proposer offers to other governmental entities for similar work.

- G. **Ability of the Proposer to Perform:** Provide a detailed description of the proposer and his/her/its qualifications, including names, titles, detailed professional resumes and past experience in similar work efforts/products of key personnel who will be working on the assignment. Provide a list of specific related work projects that have been completed by the proposer which are directly related to the assignment described in this RFP. Note the specific individuals who completed such project(s). Identify role and responsibility of each member of the project team. Include the amount of time key personnel will be involved in the respective portions of the assignment. Provide the names, contact information and very brief resumes for the core (no more than 3 individuals) banking team that would be assigned to this contract. Provide the name, contact information and very brief resume for the underwriter who would be assigned for the sale of any bonds. Focus resumes on relevant experience and particularly highlight any

direct experience with transactions for the City of Vernon. Include the amount of time key personnel will be involved in the respective portions of the assignment. The identification and utilization of specific key personnel throughout the contract term are important factors in the City's consideration and selection of a firm. Any changes in identified key personnel after the award of the agreement must be approved by the City in writing before the change is made. The City reserves the right to cancel the agreement if it objects to a change in identified key personnel after the award, and to award the contract to the next highest proposer or conduct a new RFP. Respondents are encouraged to supply relevant examples of their professional product. Provide a list of references.

The selected firm shall not subcontract any work under the RFP nor assign any work without the prior written consent of the City.

If selected to participate in the interview phase, proposers will be asked to address whether there are any conflicts of interest that would limit the proposer's ability to provide the requested service.

- H. **Affidavit of Non-Collusion.** Proposer must submit a completed and executed, "Affidavit of Non-Collusion." (Copy attached as Exhibit A).

**7. ADDENDA, CHANGES, AND AMENDMENTS TO THIS SOLICITATION**

At any time prior to the due date for responses, the City may make changes, amendments, and addenda to this solicitation, including changing the date due to allow respondents time to address such changes. Addenda, changes, and amendments, if made, will be posted on the City's website ([www.cityofvernon.org/planetbids](http://www.cityofvernon.org/planetbids)), which is deemed adequate notice. A proposer may make a request to the City's project coordinator to be placed on a list of persons to receive notice of any such addenda, changes, or amendments. The preferred manner of communications is via e-mail due to its timeliness.

**8. CONDITIONS FOR RESPONSES TO RFP**

The following conditions apply to this RFP process:

- A. Nothing contained in this RFP shall create any contractual relationship between the respondent and the City.
- B. This RFP does not obligate the City to establish a list of service providers qualified as prime contractors, or award an agreement to any respondent. The City reserves the right to amend or cancel this RFP without prior notice, at any time, at its sole discretion.
- C. The City shall not be liable for any expenses incurred by any individual or organization in connection with this RFP.
- D. No conversations or agreements with any officer, agent, or employee of the

## City of Vernon Investment Banking and Underwriting Services Request for Proposals

City shall affect or modify any terms of this RFP. Oral communications or any written/e-mail materials provided by any person other than designated contact staff of City shall not be considered binding.

- E. The City reserves the right, in its sole discretion, to accept or reject any or all Proposals without prior notice and to waive any minor irregularities or defects in a Proposal. The City reserves the right to seek clarification on a Proposal with any source.
- F. The dates, times, and sequence of events related to this RFP shall ultimately be determined by the City. The schedule shown above is subject to change, at the sole discretion of the City, although the City will attempt to follow it and, if it must be altered, will attempt to provide reasonable notice of the changes.
- G. Respondents shall not issue any news release pertaining to this RFP, or the City without prior written approval of the City.
- H. All submitted proposals and information included therein or attached thereto shall become public record upon delivery to the City.

### **9. RIGHT BY THE CITY TO WITHDRAW THIS REQUEST**

The City may, at its sole discretion and for any reason whatsoever, withdraw this solicitation at any time.

### **10. STANDARD TERMS AND CONDITIONS**

Prior to the award of any work hereunder, City and proposer shall enter into the City's standard form services agreement attached hereto as Exhibit B. Proposers responding to this RFP are strongly advised to review all the terms and conditions of the Agreement. The term of the Agreement shall not exceed three (3) years pursuant to the Vernon Municipal Code.

EXHIBIT A

AFFIDAVIT OF NON-COLLUSION

**AFFIDAVIT OF NON-COLLUSION BY CONTRACTOR**

STATE OF CALIFORNIA                     )  
  ) ss  
COUNTY OF LOS ANGELES             )

\_\_\_\_\_, being first duly sworn deposes

and says that he/she is \_\_\_\_\_  
(Insert "Sole Owner", "Partner", "President", "Secretary", or other proper title)

of \_\_\_\_\_  
(Insert name of bidder)

who submits herewith to the City of Vernon a bid/proposal;

That all statements of fact in such bid/proposal are true;

That such bid/proposal was not made in the interest of or on behalf of any undisclosed person, partnership, company, association, organization or corporation;

That such bid/proposal is genuine and not collusive or sham;

That said bidder has not, directly or indirectly by agreement, communication or conference with anyone attempted to induce action prejudicial to the interest of the City of Vernon, or of any other bidder or anyone else interested in the proposed contract; and further

That prior to the public opening and reading of bids/proposals, said bidder:

- a. Did not directly or indirectly, induce or solicit anyone else to submit a false or sham bid/proposal;
- b. Did not directly or indirectly, collude, conspire, connive or agree with anyone else that said bidder or anyone else would submit a false or sham bid/proposal, or that anyone should refrain from bidding or withdraw his/her bid/proposal;
- c. Did not, in any manner, directly or indirectly seek by agreement, communication or conference with anyone to raise or fix the bid/proposal price of said bidder or of anyone else, or to raise or fix any overhead, profit or cost element of his/her bid/proposal price, or of that of anyone else;
- d. Did not, directly or indirectly, submit his/her bid/proposal price or any breakdown thereof, or the contents thereof, or divulge information or data relative thereto, to any corporation, partnership, company, association, organization, bid depository, or to any member or agent thereof, or to any individual or group of individuals, except the City of Vernon, or to any person or persons who have a partnership or other financial interest with said bidder in his/her business.

I certify under penalty of perjury that the above information is correct

By: \_\_\_\_\_ Title: \_\_\_\_\_

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



EXHIBIT B  
STANDARD FORM AGREEMENT

SERVICES AGREEMENT BETWEEN THE CITY OF VERNON AND [CONTRACTOR'S NAME] FOR INVESTMENT BANKING AND UNDERWRITING SERVICES

COVER PAGE

Contractor: [insert name of contractor]

Responsible Principal of Contractor: [insert name, title]

Notice Information - Contractor: [insert name of contractor]  
[insert street address]  
[insert city, state, zip code]  
Attention: [insert name, title]  
Phone: [insert phone number]

Notice Information - City: City of Vernon  
4305 Santa Fe Avenue  
Vernon, CA 90058  
Attention: Scott Williams  
Director of Finance/City Treasurer  
Telephone: (323) 583-8811 ext. 849  
Email: swilliams@ci.vernon.ca.us

Commencement Date: [insert commencement date]

Termination Date: [insert termination date]

Consideration: Total not to exceed \$[insert amount]  
(includes all applicable sales tax); and more particularly described in Exhibit B

Records Retention Period Three (3) years, pursuant to Section 11.20

SERVICES AGREEMENT BETWEEN THE CITY OF VERNON AND [CONTRACTOR'S NAME]  
FOR INVESTMENT BANKING AND UNDERWRITING SERVICES

This Agreement is made between the City of Vernon ("City"), a California charter City and California municipal corporation ("City"), and [Contractor's Name], a [State incorporated in] corporation ("Contractor").

The City and Contractor agree as follows:

1.0 EMPLOYMENT OF CONTRACTOR. City agrees to engage Contractor to perform the services as hereinafter set forth as authorized by the City Council on \_\_\_\_\_, \_\_\_\_.

2.0 SCOPE OF SERVICES.

2.1 Contractor shall perform all work necessary to complete the services set forth in the City's Request for Proposals issued on or about \_\_\_\_\_, and titled \_\_\_\_\_, and Contractor's proposal to the City ("Proposal") dated \_\_\_\_\_, Exhibit "A", a copy which is attached to and incorporated into this Agreement by reference.

2.2 All services shall be performed to the satisfaction of City.

2.3 All services shall be performed in a competent, professional, and satisfactory manner in accordance with the prevailing industry standards for such services.

3.0 PERSONNEL.

3.1 Contractor represents that it employs, or will employ, at its own expense, all personnel required to perform the services under this Agreement.

3.2 Contractor shall not subcontract any services to be performed by it under this Agreement without prior written approval of City.

3.3 All of the services required hereunder will be performed by Contractor or by City approved subcontractors. Contractor, and all personnel engaged in the work, shall be fully qualified and authorized or permitted under State and local law to perform such services and shall be subject to approval by the City.

4.0 TERM. The term of this Agreement shall commence on [state date], and it shall continue until [state date which may not be more than three years from the commencement date], unless terminated at an earlier date pursuant to the provisions thereof.

5.0 COMPENSATION AND FEES.

5.1 Contractor has established rates for the City of Vernon which are comparable to and do not exceed the best rates offered to other governmental entities in and around Los Angeles County for the same services. For satisfactory and timely performance of

the services, the City will pay Contractor in accordance with the payment schedule set forth in Exhibit "B" attached hereto and incorporated herein by reference.

5.2 Contractor's grand total compensation for the entire term of this Agreement, shall not exceed [state amount] without the prior authorization of the City, as appropriate, and written amendment of this Agreement.

5.3 Contractor shall, at its sole cost and expense, furnish all necessary and incidental labor, material, supplies, facilities, equipment, and transportation which may be required for furnishing services pursuant to this Agreement. Materials shall be of the highest quality. The above Agreement fee shall include all staff time and all clerical, administrative, overhead, insurance, reproduction, telephone, air travel, auto rental, subsistence, and all related costs and expenses.

5.4 City shall reimburse Contractor only for those costs or expenses specifically approved in this Agreement, or specifically approved in writing in advance by City. Unless otherwise approved, such costs shall be limited and include nothing more than the following costs incurred by Contractor:

5.4.1 The actual costs of subcontractors for performance of any of the services that Contractor agrees to render pursuant to this Agreement, which have been approved in advance by City and awarded in accordance with this Agreement.

5.4.2 Approved reproduction charges.

5.4.3 Actual costs and/or other costs and/or payments specifically authorized in advance in writing and incurred by Contractor in the performance of this Agreement.

5.5 Contractor shall not receive any compensation for extra work performed without the prior written authorization of City. As used herein, "extra work" means any work that is determined by City to be necessary for the proper completion of the Project, but which is not included within the Scope of Services and which the parties did not reasonably anticipate would be necessary at the time of execution of this Agreement. Compensation for any authorized extra work shall be paid in accordance with the payment schedule as set forth in Exhibit "B," if the extra work has been approved by the City.

5.6 Licenses, Permits, Fees, and Assessments. Contractor shall obtain, at Contractor's sole cost and expense, such licenses, permits, and approvals as may be required by law for the performance of the services required by this Agreement. Contractor shall have the sole obligation to pay for any fees, assessments, and taxes, plus applicable penalties and

interest, which may be imposed by law and which arise from or are necessary for the performance of the Services by this Agreement.

6.0 PAYMENT.

6.1 As scheduled services are completed, Contractor shall submit to the City an invoice for the services completed, authorized expenses, and authorized extra work actually performed or incurred according to said schedule.

6.2 Each such invoice shall state the basis for the amount invoiced, including a detailed description of the services completed, the number of hours spent, reimbursable expenses incurred and any extra work performed.

6.3 Contractor shall also submit a progress report with each invoice that describes in reasonable detail the services and the extra work, if any, performed in the immediately preceding calendar month.

6.4 Contractor understands and agrees that invoices which lack sufficient detail to measure performance will be returned and not processed for payment.

6.5 City will pay Contractor the amount invoiced within thirty (30) days after the City approves the invoice.

6.6 Payment of such invoices shall be payment in full for all services, authorized costs, and authorized extra work covered by that invoice.

7.0 CITY'S RESPONSIBILITY. City shall cooperate with Contractor as may be reasonably necessary for Contractor to perform its services; and will give any required decisions as promptly as practicable so as to avoid unreasonable delay in the progress of Contractor's services.

8.0 COORDINATION OF SERVICES. Contractor agrees to work closely with City staff in the performance of Services and shall be available to City's staff, consultants, and other staff at all reasonable times.

9.0 INDEMNITY. Contractor agrees to indemnify City, its officers, elected officials, employees and agents against, and will hold and save each of them harmless from, any and all actions, suits, claims, damages to persons or property, losses, costs, penalties, obligations, errors, omissions or liabilities (herein "claims or liabilities"), including but not limited to professional negligence, that may be asserted or claimed by any person, firm or entity arising out of or in connection with the work, operations or activities of Contractor, its agents, employees, subcontractors, or invitees, provided for herein, or arising from the acts or omissions of Contractor hereunder, or arising from Contractor's performance of or failure to perform any term, provision, covenant or condition of this Agreement, except to the extent such

claims or liabilities arise from the gross negligence or willful misconduct of City, its officers, elected officials, agents or employees.

10.0 INSURANCE. Contractor shall, at its own expense, procure and maintain policies of insurance of the types and in the amounts set forth below, for the duration of the Agreement, including any extensions thereto. The policies shall state that they afford primary coverage.

i. Automobile Liability with minimum limits of at least \$1,000,000 combined single limit, including owned, hired, and non-owned liability coverage.

ii. Contractor agrees to subrogate automobile liability resulting from performance under this Agreement by agreeing to defend, indemnify and hold harmless, the City, and its respective employees, agents, and City Council from and against all claims, liabilities, suits, losses, damages, injuries and expenses, including all costs and reasonable attorney's fees ("Claims"), which are attributable to any act or omission by the City under the performance of the services.

iii. General Liability with minimum limits of at least \$1,000,000 per occurrence and \$2,000,000 aggregate written on an Insurance Services Office (ISO) Comprehensive General Liability "occurrence" form or its equivalent for coverage on an occurrence basis.

Premises/Operations and Personal Injury coverage is required. The City of Vernon, its directors, commissioners, officers, employees, agents, and volunteers must be endorsed on the policy as additional insureds as respects liability arising out of the Contractor's performance of this Agreement.

(1) If Contractor employs other contractors as part of the services rendered, Contractor's Protective Coverage is required. Contractor may include all subcontractors as insureds under its own policy or shall furnish separate insurance for each subcontractor, meeting the requirements set forth herein.

(2) Contractor agrees to subrogate General Liability resulting from performance under this Agreement by agreeing to defend, indemnify and

hold harmless, the City, and its respective employees, agents, and City Council from and against all claims, liabilities, suits, losses, damages, injuries and expenses, including all costs and reasonable attorney's fees ("Claims"), which are attributable to any act or omission by the City under the performance of the services.

iv. Professional Errors and Omissions coverage in a sum of at least \$1,000,000, where such risk is applicable. Applicable aggregates must be identified and claims history provided to determine amounts remaining under the aggregate. Contractor shall maintain such coverage for at least one (1) year after the termination of this Agreement.

v. Contractor shall comply with the applicable sections of the California Labor Code concerning workers' compensation for injuries on the job. In addition, Contractor shall require each subcontractor to similarly maintain workers' compensation insurance in accordance with the laws for California for all of the subcontractor's employees. Compliance is accomplished in one of the following manners:

- (1) Provide copy of permissive self-insurance certificate approved by the State of California; or
- (2) Secure and maintain in force a policy of workers' compensation insurance with statutory limits and Employer's Liability Insurance with a minimal limit of \$1,000,000 per accident. The policy shall be endorsed to waive all rights of subrogation against City, its directors, commissioners, officers, employees, and volunteers for losses arising from performance of this Agreement; or
- (3) Provide a "waiver" form certifying that no employees subject to the Labor Code's Workers' Compensation provision will be used in performance of this Agreement.

vi. Each insurance policy included in this clause shall be endorsed to state that coverage shall not be cancelled except after thirty (30) days' prior written notice to City.

vii. Insurance shall be placed with insurers with a Best's rating of no less than A-VIII.

viii. Prior to commencement of performance, Contractor shall furnish City with a certificate of insurance for each policy. Each certificate is to be signed by a person authorized by that insurer to bind coverage on its behalf. The certificate(s) must be in a form approved by City. City may require complete, certified copies of any or all policies at any time.

ix. Failure to maintain required insurance at all times shall constitute a default and material breach. In such event, Contractor shall immediately notify City and cease all performance under this Agreement until further directed by the City. In the absence of satisfactory insurance coverage, City may, at its option: (a) procure insurance with collection rights for premiums, attorney's fees and costs against Contractor by way of set-off or recoupment from sums due to Contractor, at City's option; (b) immediately terminate this Agreement and seek damages from the Agreement resulting from said breach; or (c) self-insure the risk, with all damages and costs incurred, by judgment, settlement or otherwise, including attorney's fees and costs, being collectible from Contractor, by way of set-off or recoupment from any sums due to Contractor.

#### 11.0 GENERAL TERMS AND CONDITIONS.

##### 11.1 INDEPENDENT CONTRACTOR.

11.1.1 It is understood that in the performance of the services herein provided for, Contractor shall be, and is, an independent contractor, and is not an agent, officer or employee of City and shall furnish such services in its own manner and method except as required by this Agreement, or any applicable statute, rule, or regulation. Further, Contractor has and shall retain the right to exercise full control over the employment, direction, compensation and discharge of all persons employed by Contractor in the performance of the services hereunder. City assumes no liability for Contractor's actions and performance, nor assumes responsibility for taxes, bonds, payments, or other commitments, implied or explicit, by or for Contractor. Contractor shall be solely responsible for, and shall indemnify, defend and save City harmless from all matters relating to the payment of its employees, subcontractors and independent contractors, including compliance with social security, withholding and all other wages, salaries, benefits, taxes, exactions, and regulations of any nature whatsoever.

11.1.2 Contractor acknowledges that Contractor and any subcontractors, agents or employees employed by Contractor shall not, under any circumstances, be considered employees of the City, and that they shall not be entitled to any of the benefits or rights afforded employees of City, including, but not limited to, sick leave, vacation leave,



holiday pay, Public Employees Retirement System benefits, or health, life, dental, long-term disability or workers' compensation insurance benefits.

11.2 CONTRACTOR NOT AGENT. Except as the City may authorize in writing, Contractor and its subcontractors shall have no authority, express or implied, to act on behalf of or bind the City in any capacity whatsoever as agents or otherwise.

11.3 OWNERSHIP OF WORK. All documents and materials furnished by the City to Contractor shall remain the property of the City and shall be returned to the City upon termination of this Agreement. All reports, drawings, plans, specifications, computer tapes, floppy disks and printouts, studies, memoranda, computation sheets, and other documents prepared by Contractor in furtherance of the work shall be the sole property of City and shall be delivered to City whenever requested at no additional cost to the City. Contractor shall keep such documents and materials on file and available for audit by the City for at least three (3) years after completion or earlier termination of this Agreement. Contractor may make duplicate copies of such materials and documents for its own files or for such other purposes as may be authorized in writing by the City.

11.4 CORRECTION OF WORK. Contractor shall promptly correct any defective, inaccurate or incomplete tasks, deliverables, goods, services and other work, without additional cost to the City. The performance or acceptance of services furnished by Contractor shall not relieve the Contractor from the obligation to correct subsequently discovered defects, inaccuracy, or incompleteness.

11.5 RESPONSIBILITY FOR ERRORS. Contractor shall be responsible for its work and results under this Agreement. Contractor, when requested, shall furnish clarification and/or explanation as may be required by the City, regarding any services rendered under this Agreement at no additional cost to City. In the event that an error or omission attributable to Contractor occurs, then Contractor shall, at no cost to City, provide all necessary design drawings, estimates and other Contractor professional services necessary to rectify and correct the matter to the sole satisfaction of City and to participate in any meeting required with regard to the correction.

11.6 WAIVER. The City's waiver of any term, condition, breach, or default of this Agreement shall not be considered to be a waiver of any other term, condition, default or breach, nor of a subsequent breach of the one waived. The delay or failure of either party at any time to require performance or compliance by the other of any of its obligations or agreements shall in no way be deemed a waiver of those rights to require such performance or compliance. No waiver of any provision of this Agreement shall be effective unless in writing and executed

by a duly authorized representative of the party against whom enforcement of a waiver is sought.

11.7 SUCCESSORS. This Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective heirs, successors, and/or assigns.

11.8 NO ASSIGNMENT. Contractor shall not assign or transfer this Agreement or any rights hereunder without the prior written consent of the City and approval by the City Attorney, which may be withheld in the City's sole discretion. Any unauthorized assignment or transfer shall be null and void and shall constitute a material breach by the Contractor of its obligations under this Agreement. No assignment shall release the original parties from their obligations or otherwise constitute a novation.

11.9 COMPLIANCE WITH LAWS. Contractor shall comply with all Federal, State, County and City laws, ordinances, rules and regulations, which are, as amended from time to time, incorporated herein and applicable to the performance hereof. Violation of any law material to performance of this Agreement shall entitle the City to terminate the Agreement and otherwise pursue its remedies. Further, if the Contractor performs any work knowing it to be contrary to such laws, rules, and regulations Contractor shall be solely responsible for all costs arising therefrom.

11.10 ATTORNEY'S FEES. If any action at law or in equity is brought to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs, and necessary disbursements in addition to any other relief to which such party may be entitled.

11.11 INTERPRETATION.

11.11.1 Applicable Law. This Agreement shall be deemed an agreement and shall be governed by and construed in accordance with the laws of the State of California. Contractor agrees that the State and Federal courts which sit in the State of California shall have exclusive jurisdiction over all controversies and disputes arising hereunder, and submits to the jurisdiction thereof.

11.11.2 Entire Agreement. This Agreement, including any exhibits attached hereto, constitutes the entire agreement and understanding between the parties regarding its subject matter and supersedes all prior or contemporaneous negotiations, representations, understandings, correspondence, documentation, and agreements (written or oral).

11.11.3 Written Amendment. This Agreement may only be changed by written amendment executed by Contractor and the City Administrator or other authorized

representative of the City, subject to any requisite authorization by the City Council. Any oral representations or modifications concerning this Agreement shall be of no force or effect.

11.11.4 Severability. If any provision in this Agreement is held by any court of competent jurisdiction to be invalid, illegal, void, or unenforceable, such portion shall be deemed severed from this Agreement, and the remaining provisions shall nevertheless continue in full force and effect as fully as though such invalid, illegal, or unenforceable portion had never been part of this Agreement.

11.11.5 Order of Precedence. In case of conflict between the terms of this Agreement and the terms contained in any document attached as an Exhibit or otherwise incorporated by reference, the terms of this Agreement shall strictly prevail. The terms of the City's Request for Proposals shall control over the Contractor's Proposal.

11.11.6 Construction. In the event an ambiguity or question of intent or interpretation arises with respect to this Agreement, this Agreement shall be construed as if drafted jointly by the parties and in accordance with its fair meaning. There shall be no presumption or burden of proof favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

11.12 TIME OF ESSENCE. Time is strictly of the essence of this agreement and each and every covenant, term, and provision hereof.

11.13 AUTHORITY OF CONTRACTOR. The Contractor hereby represents and warrants to the City that the Contractor has the right, power, legal capacity, and authority to enter into and perform its obligations under this Agreement, and its execution of this Agreement has been duly authorized.

11.14 ARBITRATION OF DISPUTES. Any dispute for under \$25,000 arising out of or relating to the negotiation, construction, performance, non-performance, breach, or any other aspect of this Agreement, shall be settled by binding arbitration in accordance with the Commercial Rules of the American Arbitration Association at Los Angeles, California and judgment upon the award rendered by the Arbitrators may be entered in any court having jurisdiction thereof. The City does not waive its right to object to the timeliness or sufficiency of any claim filed or required to be filed against the City and reserves the right to conduct full discovery.

11.15 NOTICES. Any notice or demand to be given by one party to the other must be given in writing and by personal delivery or prepaid first-class, registered or certified mail, addressed as follows. Notice simply to the City of Vernon or any other City department is not adequate notice.

If to the City:

City of Vernon  
Attention: Scott Williams, Director of Finance/City Treasurer  
4305 Santa Fe Avenue  
Vernon, CA 90058

If to the Contractor:

Any such notice shall be deemed to have been given upon delivery, if personally delivered, or, if mailed, upon receipt, or upon expiration of three (3) business days from the date of posting, whichever is earlier. Either party may change the address at which it desires to receive notice upon giving written notice of such request to the other party.

11.16 NO THIRD PARTY RIGHTS. This Agreement is entered into for the sole benefit of City and Contractor and no other parties are intended to be direct or incidental beneficiaries of this Agreement and no third party shall have any right or remedy in, under, or to this Agreement.

11.17 TERMINATION FOR CONVENIENCE (Without Cause). City may terminate this Agreement in whole or in part at any time, for any cause or without cause, upon fifteen (15) calendar days' written notice to Contractor. If the Agreement is thus terminated by City for reasons other than Contractor's failure to perform its obligations, City shall pay Contractor a prorated amount based on the services satisfactorily completed and accepted prior to the effective date of termination. Such payment shall be Contractor's exclusive remedy for termination without cause.

11.18 DEFAULT. In the event either party materially defaults in its obligations hereunder, the other party may declare a default and terminate this Agreement by written notice to the defaulting party. The notice shall specify the basis for the default. The Agreement shall terminate unless such default is cured before the effective date of termination stated in such notice, which date shall be no sooner than ten (10) days after the date of the notice. In case of default by Contractor, the City reserves the right to procure the goods or services from other sources and to hold the Contractor responsible for any excess costs occasioned to the City thereby. Contractor shall not be held accountable for additional costs incurred due to delay or default as a result of Force Majeure. Contractor must notify the City immediately upon knowing that non-performance or delay will apply to this Agreement as a result of Force Majeure. At that time Contractor is to submit in writing a Recovery Plan for this Agreement. If the Recovery Plan

is not acceptable to the City or not received within 10 days of the necessary notification of Force Majeure default, then the City may cancel this order in its entirety at no cost to the City, owing only for goods and services completed to that point.

11.19 TERMINATION FOR CAUSE. Termination for cause shall relieve the terminating party of further liability or responsibility under this Agreement, including the payment of money, except for payment for services satisfactorily and timely performed prior to the service of the notice of termination, and except for reimbursement of (1) any payments made by the City for service not subsequently performed in a timely and satisfactory manner, and (2) costs incurred by the City in obtaining substitute performance. If this Agreement is terminated as provided herein, City may require, at no additional cost to City, that Contractor provide all finished or unfinished documents, data, and other information of any kind prepared by Contractor in connection with the performance of Services under this Agreement. Contractor shall be required to provide such document and other information within fifteen (15) days of the request.

11.19.1 Additional Services. In the event this Agreement is terminated in whole or in part as provided herein, City may procure, upon such terms and in such manner as it may determine appropriate, services similar to those terminated.

11.20 MAINTENANCE AND INSPECTION OF RECORDS.

The City, or its authorized auditors or representatives, shall have access to and the right to audit and reproduce any of the Contractor's records to the extent the City deems necessary to insure it is receiving all money to which it is entitled under the Agreement and/or is paying only the amounts to which Contractor is properly entitled under the Agreement or for other purposes relating to the Agreement.

The Contractor shall maintain and preserve all such records for a period of at least three (3) years after termination of the Agreement.

The Contractor shall maintain all such records in the City of Vernon. If not, the Contractor shall, upon request, promptly deliver the records to the City of Vernon or reimburse the City for all reasonable and extra costs incurred in conducting the audit at a location other than the City of Vernon, including, but not limited to, such additional (out of the City) expenses for personnel, salaries, private auditors, travel, lodging, meals, and overhead.

11.21 CONFLICT. Contractor hereby represents, warrants, and certifies that no member, officer, or employee of the Contractor is a director, officer, or employee of the City of Vernon, or a member of any of its boards, commissions, or committees, except to the extent permitted by law.

11.22 HEADINGS. Paragraphs and subparagraph headings contained in this Agreement are included solely for convenience and are not intended to modify, explain or to be a full or accurate description of the content thereof and shall not in any way affect the meaning or interpretation of this Agreement.

11.23 ENFORCEMENT OF WAGE AND HOUR LAWS. Eight hours labor constitutes a legal day's work. The Contractor, or subcontractor, if any, shall forfeit twenty-five dollars (\$25) for each worker employed in the execution of this Agreement by the respective Contractor or subcontractor for each calendar day during which the worker is required or permitted to work more than 8 hours in any one calendar day and 40 hours in any one calendar week in violation of the provisions of Sections 1810 through 1815 of the California Labor Code as a penalty paid to the City; provided, however, work performed by employees of contractors in excess of 8 hours per day, and 40 hours during any one week, shall be permitted upon compensation for all hours worked in excess of 8 hours per day at not less than 1½ times the basic rate of pay.

11.24 EQUAL EMPLOYMENT OPPORTUNITY PRACTICES. Contractor certifies and represents that, during the performance of this Agreement, it and any other parties with whom it may subcontract shall adhere to equal employment opportunity practices to assure that applicants, employees and recipients of service are treated equally and are not discriminated against because of their race, religion, color, national origin, ancestry, disability, sex, age, medical condition, sexual orientation or marital status. Contractor further certifies that it will not maintain any segregated facilities. Contractor further agrees to comply with The Equal Employment Opportunity Practices provisions as set forth in Exhibit "C".

[Signatures Begin on Next Page].

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Commencement Date stated on the cover page.

City of Vernon, a California charter City and California municipal corporation

[CONTRACTOR'S NAME], a [State incorporated in] corporation

By: \_\_\_\_\_  
Carlos R. Fandino, Jr.  
City Administrator

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Lisa Pope, City Clerk

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

APPROVED AS TO FORM:

\_\_\_\_\_  
Zaynah N. Moussa,  
Interim City Attorney

EXHIBIT A  
CONTRACTOR'S PROPOSAL



EXHIBIT B  
SCHEDULE

## EXHIBIT C

### EQUAL EMPLOYMENT OPPORTUNITY

#### PRACTICES PROVISIONS

- A. Contractor certifies and represents that, during the performance of this Agreement, the contractor and each subcontractor shall adhere to equal opportunity employment practices to assure that applicants and employees are treated equally and are not discriminated against because of their race, religious creed, color, national origin, ancestry, handicap, sex, or age. Contractor further certifies that it will not maintain any segregated facilities.
- B. Contractor agrees that it shall, in all solicitations or advertisements for applicants for employment placed by or on behalf of Contractor, state that it is an "Equal Opportunity Employer" or that all qualified applicants will receive consideration for employment without regard to their race, religious creed, color, national origin, ancestry, handicap, sex or age.
- C. Contractor agrees that it shall, if requested to do so by the City, certify that it has not, in the performance of this Agreement, discriminated against applicants or employees because of their membership in a protected class.
- D. Contractor agrees to provide the City with access to, and, if requested to do so by City, through its awarding authority, provide copies of all of its records pertaining or relating to its employment practices, except to the extent such records or portions of such records are confidential or privileged under state or federal law.
- E. Nothing contained in this Agreement shall be construed in any manner as to require or permit any act which is prohibited by law.

# Investment Banking and Underwriting Services RFP

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## City of Vernon, California



October 25, 2021

**Primary Contact:** Joseph Natoli, Managing Director

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October 25, 2021

Scott Williams, Director of Finance / City Treasurer  
City of Vernon, 4305 Santa Fe Avenue, Vernon CA 90058

Scott,

On behalf of Goldman Sachs & Co. LLC (“Goldman Sachs”), we are pleased to submit our response to the City of Vernon’s (the “City”) Request for Proposals for Investment Banking and Underwriting Services. As we hope the City witnessed with our experience with the 2020 VPU financing, we can offer significant value as senior manager on the proposed financing when it comes to bond structuring, tax analysis, rating agency strategy, and the distribution of bonds. We highlight some key themes of our proposal below:

- **Leading Underwriter of Taxable Municipal and Pension Obligation Bonds:** Goldman Sachs has a long history of leadership in the taxable municipal bond market. In 2019, we were the #1 negotiated underwriter of California taxable bonds. In 2020, we priced over \$19bn of taxable municipal bonds for ~30 issuers nationwide, and over \$2.3bn for issuers in California. Since January 2010, we have been involved as either lead or co-manager on nearly \$8bn of POB issues, and over the same time period we rank #3 in the POB underwriter league table.
- **Dedicated Team Ready to Focus on any future City Lease Revenue Bond (LRB) Offering:** We would be well equipped to assist the City in establishing a LRB Indenture and financing program to fund its major maintenance / infrastructure improvements and asset acquisitions. Goldman Sachs has extensive experience structuring and marketing LRBs in California, with recent senior managed deals for the Cities of Los Angeles and Anaheim earlier this year.
- **Credit Expertise:** In the current market, we believe the City’s financings can be executed efficiently with a single rating from S&P. Given that the City has no existing General Obligation rating, we want to work with the City in approaching S&P to produce the best possible results, leveraging the City’s financial resilience and strong cash balance.

We are excited for the opportunity to work with the City again. We believe that our team, relevant experience, and team-oriented cross sector coverage approach positions us well. If you have any questions, please feel free to reach out to Joey at 415-393-7765. We look forward to discussing our proposal with you further.

*This proposal shall remain valid for a period of 90 days from the date of submittal. Although we do not intend to use sub-contractors, and thus do not identify any in this proposal, we are prepared to discuss other firms to the extent the City desires.*

Sincerely,

Joseph Natoli, Managing Director

Jessica Yueh, Vice President

Chris Bergeron, Vice President

**Business Entity Responding:** Goldman Sachs & Co. LLC, Address: 200 West Street, New York, NY 10282; Telephone: 212-902-1000; **Primary Contact:** Joseph Natoli, Managing Director, E-mail: [joseph.natoli@gs.com](mailto:joseph.natoli@gs.com) Address: 555 California St., Fl. 45, San Francisco, CA 94104; Telephone: 415-393-7765

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## **Appendix A. Conflicts of Interest**

## **Appendix B. Scope of Services**

## **Appendix C. Taxable Bond Experience**

## **Appendix D. LRB Experience**

## **Appendix E. Case Studies**

## **Appendix F. Affidavit of Non-Collusion**

Goldman Sachs & Co. LLC (“Goldman Sachs”) is providing the information contained in this document for discussion purposes only in anticipation of serving as underwriter to the City of Vernon (the “City”). Goldman Sachs’ response to this RFP is being provided pursuant to the exemption from the definition of municipal advisor (as defined in Section 15B of the Securities Exchange Act of 1934 (the “Act”)) for responses to requests for proposals or qualifications for services in connection with a municipal financial product or the issuance of municipal securities. The primary role of Goldman Sachs, as an underwriter, is to purchase securities, for resale to investors, in an arm’s-length commercial transaction between the City and Goldman Sachs and Goldman Sachs has financial and other interests that differ from those of the City. Goldman Sachs is not acting as a municipal advisor, financial advisor or fiduciary to the City or any other person or entity. The information provided is not intended to be and should not be construed as “advice” within the meaning of Section 15B of the Act. City should consult with its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate. If the City would like a municipal advisor in this transaction that has legal fiduciary duties to the City, then the City is free to engage a municipal advisor to serve in that capacity. See our disclosures on Conflicts of Interest in Appendix A for other activities that Goldman Sachs may be engaged in during the course of this assignment.

Nothing in Goldman Sachs's response to this RFP is an expressed nor an implied commitment by Goldman Sachs to act in any capacity contemplated by this RFP. Any such commitment to perform the services contemplated by this RFP shall only be set forth in a separate agreement, subject to further approvals including conflicts clearance. With respect to any trade data provided herein, this material has been prepared based upon information that Goldman Sachs believes to be reliable. However, Goldman Sachs does not represent that this material is accurate, complete or up to date and accepts no liability if it is not. Goldman Sachs is not obligated to update this material to correct any inaccuracies it may contain or to reflect any changes that may occur in the future.

Notwithstanding anything to the contrary contained in the RFP, the City of Vernon (the “City”) acknowledges that nothing in Goldman Sachs' response is an agreement to include all of the Standard Terms and Conditions (as drafted or otherwise) in a purchase agreement nor an expressed nor an implied commitment by Goldman Sachs to act in any capacity contemplated by the RFP. Any such commitment to perform the services contemplated by the RFP shall only be set forth in a separate agreement. If selected by the City to perform the services contemplated by the RFP, Goldman Sachs reserves the right to negotiate the terms of the purchase agreement or other appropriate form of agreement appropriate for the type of engagement and/or transaction involved which would contain customary terms and conditions mutually agreed upon by Goldman Sachs and the City and would be the exclusive agreement governing the applicable transaction and the rights and obligations of the parties thereto.

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## C. Introduction

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For the past six years, Goldman Sachs has worked diligently to assist the City, most recently in 2020 with the issuance of its Electric System Revenue Bonds. It is through this commitment to the City, and our resulting familiarity, that we have been able to carefully tailor our proposal to the City's financial position. *In response to the City's RFP, we are seeking to provide underwriting services on its (B) Pension Obligation Financing and (C) Financing of Major Maintenance / Infrastructure Improvements and Asset Acquisitions.*

By hiring Goldman Sachs, the City would be able to again leverage the full expertise of the firm for either financing program. If hired, we would expect to assist the City and its MA on: (i) POB/LRB structuring considerations, (ii) alternative structuring ideas, (iii) credit rating strategy, (iv) investor marketing, (v) the bond sale, and (vi) if appropriate, committing firm balance sheet to support the offering.

In our response, we have endeavored to provide the City with insights into specific strategies for each financing program, as well as a holistic framework to meet the City's objectives.

## D. General Scope of Work

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Goldman Sachs is a leading investment bank with relevant experience managing complex transactions for other California cities and municipalities. We look forward to assisting the City with its financings and are prepared to support the City with all major financing tasks related to its two finance plans, including:

**Financing Analysis:** Throughout the transaction, we will update the City on different approaches, changes in market conditions, and ideas around security provisions to enable the City to make the most informed decisions.

**Rating Strategy:** As described in our response, we believe this will be a significant component of the work plan, and we will be deeply involved through the process. By properly presenting the City to the rating

agencies, we believe we can position the City in a way that assists with marketing the bonds at tight credit spreads.

**Marketing, Selling, and Underwriting Bonds:** As the senior manager, we would expect to work with the City to create a marketing program that would help the City obtain the lowest all-in cost of financing. If the market environment is not cooperative, and it is appropriate to do so, Goldman Sachs would be prepared to use its balance sheet to underwrite unsold balances.

**Commitment:** Goldman Sachs is committed to providing the City with the highest level of service, including assuring that its team will attend all financing meetings. The close attention we have paid to the City over the past six years will continue.

## E. Work Plan

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### 1. OTHER OPPORTUNITIES

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As discussed above, we are committed to providing a high level of investment banking service to the City. This means taking a

holistic approach and finding ways to optimize the City's capital markets strategy across projects and credits. We see several potential opportunities, including:

**Optimizing Capital Expenditures.** Like all municipalities, a portion of the City’s operating budget is used to fund routine maintenance capital projects, some of which are eligible to be funded with tax-exempt bond proceeds. The City can explore issuing additional LRBs to fund these expenditures and simultaneously dedicate a portion of its annual operating budget to making Additional Discretionary Payments (“ADPs”) to CalPERS. From an economic standpoint, this would enable the City to finance pension liabilities on a tax-exempt basis.

**Leveraged Refundings.** Along the same lines, the City can explore devoting cash flow savings generated by refunding transactions to making accelerated pension payments. Structuring refunding savings upfront would create the maximum impact and effectively allow the City to finance pension liabilities with lower cost tax-exempt bonds. Given that most of the City’s refunding opportunities are for VPU, some additional structuring would be necessary to ensure that any ADPs to CalPERS are credited to the liabilities associated with VPU employees.

**Refinancing Pension Obligations with LRBs.** The majority of pension financings in California have been authorized by a cumbersome judicial validation process. The City can consider avoiding the validation process by refinancing pension obligations with LRBs. Recently, two large cities have taken this approach (Torrance and West Covina). If the City is already planning to issue LRBs for other purposes, it may wish to upsize the financing to refinance a portion of its unfunded pension liabilities.

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## 2. FINANCING APPROACH

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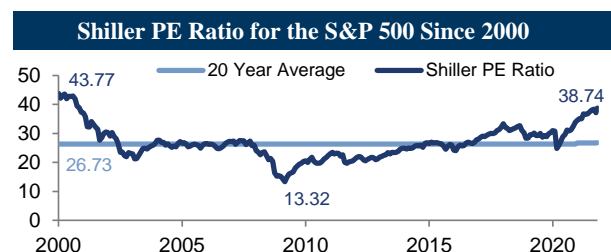
### B. PENSION OBLIGATIONS

We recognize the importance of the planned pension financing and its long-term impact on the City. Decisions made today will have repercussions for decades to come. In this

context, we are committed to taking an analytical and data-driven approach to exploring the impact of different structuring approaches. Our leadership and unique insights into the taxable municipal market will inform all aspects of the structuring process, which we believe will ensure the best execution for the City. We expect the process to be iterative and view our role as providing the tools and analytical insights to help the City and BLX make strategic decisions that are in the best interests of City stakeholders, both in the short and long-term horizon.

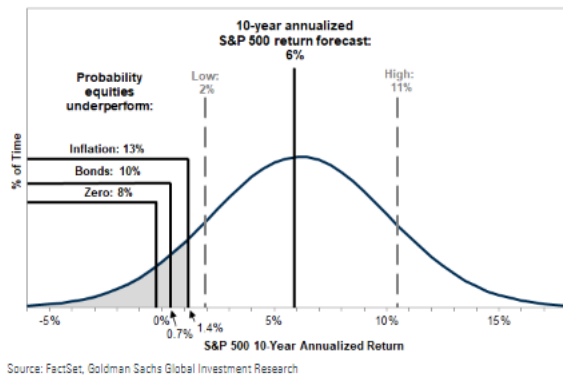
**Interest rates are (still) near all-time lows.** Despite some recent upward pressure on yields, long-term interest rates remain very low. Interest rates, along with benign credit spreads, provide the City with an opportunity to fund the UAL at an attractive cost on a historical basis. With an estimated all-in cost of 3.05%, the City could earn well below CalPERS’ assumed investment return of 6.8% and still be in a favorable position versus the status quo. Treasury rates have only been lower only around 10-30% of the time over the last 15 years across the yield curve.

**Investment earnings and timing.** While the savings levels associated with the financing are meaningful, they are driven by future investment performance. There are reasons to be cautious given high asset values. As an example, one measure of equity market valuation is the Cyclically Adjusted Price to Earnings Ratio (Shiller PE Ratio). As shown below, the Shiller PE Ratio is higher than its historic average, suggesting that stocks are currently overvalued and returns over the next several years may be compressed as the market corrects itself.



However, it will be critical to hold a long-term perspective on the market (given the contemplated 20+ year term of the financing). Goldman Sachs economists published an article estimating that the S&P 500 will deliver an average annualized return of 6% during the next 10 years with returns of 2%-11% within one standard deviation. The mean estimate of 6% may be less than CalPERS actuarial rate but it is in notable excess of the approximate 3.05% borrowing cost that we project for the City in the current market.

Furthermore, GS Research has looked at a set of historical 10-year S&P 500 returns since 1880. While conventional knowledge might indicate that there is greater downside risk of forecasted returns, the more normal distribution seems to indicate the relatively equal probability of positive or negative returns within one standard deviation of the projected mean return of 6%.



## STRUCTURE

**Base case structure.** Below, we provide a base case financing scenario which assumes 100% funding of the City’s UAL and level debt service through FY 2035. This structure is consistent with the approach taken by many of the City’s peers. The structure distributes refinancing savings from FY2023 to FY2035 while not increasing UAL costs in any year above what is currently anticipated.<sup>1</sup>

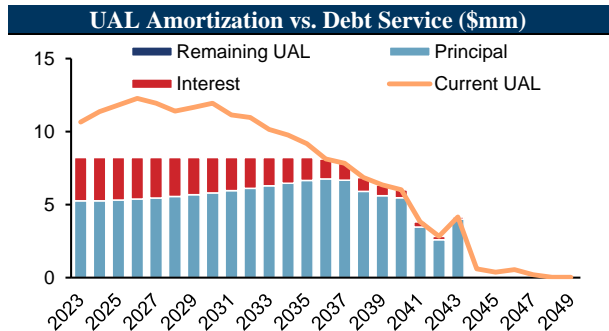
<sup>1</sup> We have assumed taxable pension bonds with a 10 year par call, interest rates as of October 20th, a closing date of May 1, 2022, cost of issuance of \$300,000, and underwriter’s discount as proposed in our response.

We note the City’s 6/30/2020 CalPERS valuation reports do not take into account the outside FY21 investment return of 21.3% or the resulting automatic reduction in the discount rate to 6.8% under the Funding Risk Mitigation Policy. While the City’s consultants and CalPERS can assist in determining the appropriate amount to finance to pay off 100% of its UAL, for this purpose we have estimated that amount at \$115 million.

The results of this case are detailed below.

Financing Results (100% of UAL & Level Debt) (\$mm)	
Total Par Issued / Bond Proceeds	\$115.7
CalPERS Deposit	\$115.0
Issuance Costs	\$0.7
All-in TIC	3.05%
Average Life (Years)	10.7
Final Maturity	FY2043
Gross Expected Savings (\$)	\$39.1
<b>PV Expected Savings (\$) / (%)<sup>2</sup> at 3.05%</b>	<b>\$31.0 / 26.7%</b>

With an estimated all-in TIC of 3.05%, the financing will generate substantial PV savings under most investment return assumptions, including a 6.8% discount rate. The following chart compares debt service against UAL amortization. Annual savings ranges from \$0.9mm to \$4.0mm.



**Amount of UAL to Fund.** In light of the size of the City’s pension liabilities, the City Council presentation, and the direction provided by the RFP, we have assumed a financing sized to retire the full amount of the City’s UAL – estimated at \$115 million, after taking into account FY21 investment returns. The majority of recent California POBs have

<sup>2</sup> % reflects PV savings as a percentage of UAL refunded



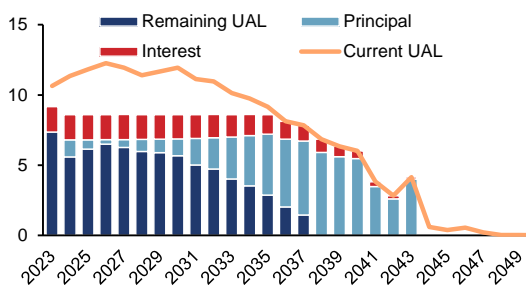
funded 100% of UAL, however there are many reasons the City might choose to fund a lesser amount. For instance, by financing only 50% of UAL now the City mitigates the risk of sharp negative CalPERS investment returns soon after the financing. Of course, the City could always choose to do another pension financing at a later date.

To illustrate the impact of funding less than 100% of the UAL, we have included below an additional scenario assuming the City funds 50% of its UAL – approximately \$58mm. In order to maximize savings, we have selected the longest amortization bases.

Financing Results (50% of UAL & Level Debt) (\$mm)	
Total Par Issued / Bond Proceeds	\$58.0
CalPERS Deposit	\$57.5
Issuance Costs	\$0.5
All-in TIC	3.31%
Average Life (Years)	14.5
Final Maturity	FY2043
Gross Expected Savings (\$)	\$26.8
<b>PV Expected Savings (\$) / (%)<sup>3</sup> at 3.05%</b>	<b>\$26.8 / 46.6%</b>

While expected PV savings are clearly lower (\$26.8mm vs \$31.0mm) they are higher as a percentage of UAL funded (46.6% vs 26.7%). This is a function of selecting the longest amortization bases (20+ years remaining), since the City realizes the benefit of the 3.31% cost of capital on the bonds compared to the 6.8% discount rate over a longer period.

UAL Amortization vs. Debt Service (\$mm)



**Amortization Profile.** The bond amortization structure is an important structuring decision facing the City. While there is no “correct” way to structure POBs, *we generally recommend a level debt service approach*, and believe it is a prudent strategy to create

the budgetary capacity to handle unforeseen challenges, such as the creation of new UAL. Of the 30+ California pension deals since the beginning of 2020, most have been structured with level debt service. Only a few have included modestly escalating debt service (West Covina, El Monte, and Chula Vista).

**Redemption Feature.** In addition to enabling issuers to refund POBs for savings and reshape amortization in the future, a 10-year par call allows issuers more flexibility to call the bonds should there be an unforeseen event (e.g. legislative, CalPERS policy or other). We estimate the cost of a par call ranges based on the maturity from 5-15bp (which is included in our numbers). We estimate that using only a make-whole call would increase PV savings by approximately \$1.0mm.

**Bond Insurance.** In light of the City’s anticipated “A-” rating from S&P, bond insurance is likely not a tool the City can use. Our Team asked BAM about the possibility, and was told the focus was limited to “AA” rated POBs. In fact, BAM has only insured two “AA-” rated POB transactions since their recent involvement in the space. Furthermore, it is our understanding that the other major bond insurer, Assured Guaranty, will only provide insurance in unique circumstance (e.g. if a pension override tax is pledged or the bonds are structured as Lease Revenue Bonds).

### POB CREDIT RATINGS

We recommend obtaining a single credit rating from S&P for the proposed POB transaction. Nearly all recent POBs issued by cities and counties in California have had a S&P rating. This is largely because S&P rates POBs on parity with an issuer’s highest unsecured credit rating. S&P views POBs as an absolute and unconditional obligation of the general fund that incorporates and takes into account an issuer’s ability to raise revenue. Given that S&P already rates the

<sup>3</sup> % reflects PV savings as a percentage of UAL refunded

City's electric, water and sewer, and redevelopment bonds, there may be value in further developing its relationship with S&P. In general, Moody's takes a slightly negative view of POBs, arguing that they increase an issuer's exposure to volatile pension fund investments. With bond yields at very low levels, their view is that pension fund managers are being forced to increase their exposure to risky assets to meet lofty return targets. A recent Moody's report for the sale of POBs by the City of Tucson, AZ underscores this view. Moody's notes "While the issuance is balance sheet neutral and will provide some short-term expense stability, we believe the transaction overall is modestly credit negative given the city's increased balance sheet exposure to market conditions." Secondly, Moody's rates POBs lower than an issuer's general obligation credit rating. Some of the larger California POB transactions have included a second rating from Moody's or Fitch (which also rates POBs below an issuer's general obligation rating). For a transaction of this size, we do not anticipate any pricing penalty by pursuing a single rating from S&P and believe that it is the right approach for Vernon.

### **City Credit Analysis**

Based on our assessment, we believe the City should advocate for an A- rating from S&P. The City's proactive management team, conservative budgeting practices and strong liquidity has served the City well, especially in light of COVID. First and foremost, the City has embarked on several strategic initiatives over the last few years that further boosts the City's financial position, including the transition of fire services to the Los Angeles County Fire Department and a new sales tax measure (Measure V) which began collections in October 2020, and general expenditure cuts. The City is budgeting for an \$4.7 million increase in FY 2022 in connection with Measure V as well as a \$2.7 million increase in general sales and use taxes.

For FY 2020, the City's general fund balance was over \$7 million above budget, largely attributed to higher appropriations than actual expenditures in capital outlay. The City has consistently demonstrated fiscal discipline compared to budget, and in turn has been able to grow the City's ending general fund balances from a deficit of \$2.7 million in FY 2018 to over \$8.5 million in FY 2020.

The City maintains robust liquidity with over \$8 million in fund balance (15% of total expenditures), of which nearly \$4.5 million is unassigned, which S&P will view as "very strong." Total governmental funds available are also strong with over \$9.5 million in cash and cash equivalents, which after taking into consideration the potential POB issuance, will still be deemed "strong."

***Based on our review and the City's strong FY 2020 results coupled with the strong management team, we believe the City should advocate for an A-category credit rating from S&P.*** Due to the City's overwhelmingly industrial and commercial tax base, there are limited comparable credits, and a greater range of rating outcomes. This underscores the importance of crafting a robust and thoughtful credit presentation, which is an area where the Goldman Sachs banking team can bring tremendous value.

### **Positioning POBs with S&P**

We do not believe the issuance of POBs will adversely impact the City's credit story. S&P has a neutral view of POBs and considers them to be a refinancing of existing debt. S&P's view of the City's debt and contingent liability profile will likely be viewed as "weak" after the proposed financing. S&P will be focused on how the POBs are structured and what policies the City has in place to manage future UAL. It will be important to emphasize that the City is issuing POBs to lock in favorable market conditions and better manage UAL and not simply to provide near term budget relief. S&P is likely to drill down into how the financing will affect current

contributions and what the overall debt structure will mean for contributions over the life of the bond amortization schedule (front loading of savings, extending debt service beyond the current amortization, etc.).

While S&P will presumably flag the pension obligation as a credit weakness for the City, the City's funded ratio is in line with other municipalities within California. S&P also appreciates that a low interest rate environment has prompted many California municipalities to issue POBs to provide "savings" versus their annual contributions. The credit approach should be centered on the fact that pursuing a POB issuance is not driven by an underlying financial stress at the City or an inability to budget accordingly. It is instead driven by a market opportunity to lock-in historically low taxable rates and better manage the funding of UAL. Second, as discussed in our plan of finance, the City can pursue a conservative level debt structure profile to provide budgetary certainty and to smooth volatile contributions without extending its obligations longer than the current amortization, a credit positive.

### **Conclusion**

In the current market, we believe the City's financing can be executed efficiently with a single rating from S&P. The City's financial performance and strong liquidity will be the cornerstone of a credit strategy that focuses on the City's financial resilience and strong cash balance to achieve an A- rating outcome.

### **C. FINANCING OF MAJOR MAINTENANCE / INFRASTRUCTURE IMPROVEMENTS AND ASSET ACQUISITIONS**

In order to efficiently finance any major improvements or asset acquisitions, the City can issue tax-exempt bonds secured by revenues from leases on its public facilities (Lease Revenue Bonds or LRBs).

### **LRB STRUCTURE**

**Establish a Master Lease.** Establishing a Master Lease and Indenture may not be a quick exercise, but would provide flexibility to the City as it looks ahead to major maintenance / infrastructure improvements and asset acquisition needs over the next several years. A new Master Lease would ideally include one or more essential facilities with an estimated fair market value that will exceed the par amount of any proposed LRB issuance. The "pooling" of City assets creates a stronger, more diversified lease credit. Investors and rating agencies continue to have a slight preference for Master Lease structures that include essential City properties.

**No DSRF.** Rating agencies and investors have widely accepted LRBs with no DSRF in recent years. Based on our initial credit review and the City's robust liquidity position, we do not believe the City needs to include a DSRF with a future LRB issuance. We have successfully priced CA LRBs without a DSRF, including the City of Los Angeles' most recent LRB refunding in February 2021. However, the City can alternatively consider a reduced (50% MADS) DSRF if it meaningfully enhances the City's credit during the rating process. The City can retain flexibility in its Master Lease to set up reserves for future financings as needed.

**Asset Substitution to Minimize Capitalized Interest.** Depending on the project needs, the City may be able to use any excess fair market lease value from existing assets to minimize any need for capitalized interest. We have executed these types of asset substitution, lease consolidation and/or optimization structures in other LRB transactions.

**Amortization.** Options with regards to the amortization structure for lease revenue bonds are relatively limited. Our base case structure assumes a hypothetical \$50 million improvement or acquisition, the bonds are issued under a new Master Lease with a 30-year level debt service structure, the standard 10-year par call, no capitalized interest, and no

Debt Service Reserve Fund. Based on market conditions as of October 21, 2021, *the City would achieve an all-in TIC of 3.16%.*

#### New Money LRB Statistics (\$mm)

Par Amount	\$ 40.2
Project Fund	\$ 50.0
All-in TIC	3.16%
Average Life	18.3
Max Ann. DS	\$ 2.7
Avg Ann. DS	\$ 2.7
Total DS	\$ 77.0
PV DS @ 2.75%	\$ 54.4

Rates as of October 21, 2021

### LRB CREDIT RATINGS

Consistent with our POB recommendations above, we believe that obtaining a single rating from S&P is sufficient for a LRB financing in today’s market. LRBs are typically rated one notch lower than the G.O. by the rating agencies (or 1-2 for Moody’s, depending on asset essentiality). This would suggest a BBB+ rated LRB credit based on our City GO assessment above. However, the final outcome will be heavily influenced by the size of the City’s POB and LRB financings, as well as the characteristics of the pledged assets.

## 3. APPROACH TO SALE

### B. TAXABLE POBs

The objective of our marketing and pricing process is to achieve the lowest possible cost while reducing market risk. *Selling the value and stability of our client’s credit* is the keystone of our marketing effort. As a leading underwriter of municipal and corporate bonds, Goldman Sachs maintains an extensive sales and distribution platform through which we cover all major investor types and classes which we believe will help the City achieve attractive pricing. Goldman Sachs’ integrated distribution team — including credit and capital markets experts, salespeople, and underwriters — work together to create access to key investor pools, including institutional buyers, such as bond funds, insurance

companies and bank portfolios; high-net-worth individuals; retail-focused institutions, such as Separately Managed Accounts (“SMAs”), trust departments and asset managers; and trading-oriented entities, such as hedge funds. The Firm has resources dedicated to each of these key segments, and is organized to quickly leverage opportunities that present themselves across markets.

This approach is particularly useful for a POB financing given the historical premium investors have assessed. And while the current market is generally strong for taxable municipal credits (particularly in California, where they remain state tax-exempt), there are unique challenges in marketing a POB. Over the last 5-10 years, there have been negative headlines associated with POB financings. As such, a credit story will need to be crafted in order to overcome investor concerns. We believe a formal investor presentation via an internet roadshow will be key to telling this story, even despite the recent momentum in POB issuance.

### DISTRIBUTION CAPABILITIES

Goldman Sachs covers more than 400 traditional municipal accounts, as well as potential crossover buyers, such as corporate and sovereign wealth funds. Our coverage of institutional investors is characterized by a number of advantages, including:

- Tax-exempt and taxable sales teams that are united under one physical and reporting structure, enhancing our ability to tap into nontraditional municipal demand in a seamless manner
- Multiple sales groups marketing tax-exempt bonds, including: 10 sales personnel dedicated solely for the distribution of municipal securities and 23 sales personnel in the Multi-Asset Platform Sales group, covering a range of middle-market investors including municipal buyers

- Integrated sales coverage that can bring in orders for taxable municipal issues and crossover interest, including: 13 sales personnel focused on Investment Grade taxable investors and 16 sales personnel covering High Yield buyers

The Firm maintains strong relationships with key people throughout investor organizations (portfolio managers, credit analysts and sector-specific analysts) — so we don’t just target the right organizations, but the right people within them.

### **CIMD PLATFORM**

Goldman Sachs Consumer Investment Management Division (“CIMD”) is one of the largest Municipal Bond platforms by Assets Under Management. CIMD purchases municipal bonds for clients through discretionary investment advisory accounts. Clients include high net worth individuals, registered mutual funds and other institutional accounts. As of June 1, 2021, the CIMD platform includes 37 asset management professionals, including 16 portfolio managers, 8 research analysts and 3 new issue traders. Additionally, the platform had \$145.8 billion of total municipal assets and over 22,283 discretionary separate accounts for high net worth individuals under management. The previously mentioned accounts are sourced through 14 Regional Offices with approximately 600 individual Private Wealth Advisors. As of June 22, 2021, \$14.2bn of the platform’s municipal assets were invested in bonds issued out of California across over 5,674 accounts.

### **ONE DESK APPROACH**

A key aspect of Goldman Sachs’s underwriting success is our unique syndicate desk structure. Unlike many of our competitors, our municipal and corporate investment grade underwriters sit side-by-side and work together in a “one desk” approach. The two sides of our desk are each familiar with not only the tone of the taxable municipal

markets, but also the specific needs and demands of municipal and taxable investors in each respective market. ***Together, their complementary areas of expertise allow them to develop a marketing strategy that targets a broader base of investors for this issue. Not only does this better allow us to try and provide the City with seamless execution, but can allow for additional demand from different pockets of capital, which in turn can drive down the City’s borrowing cost.*** We believe this integration distinguishes Goldman Sachs from its competitors and provides a broad range of distribution outlets for taxable municipal issuance as described previously.

### **INVESTOR TARGETING STRATEGY**

Our Investor Marketing Group will take an active role in developing an investor outreach plan for the City’s transaction. IMG is led by ***Petros Voulgaris, Vice President***, who sits with our traders and is in constant communication with investors and provides real-time feedback to develop investor targets, throughout the marketing process and post-financing. IMG is often the first to hear about investors’ preferences, as well as market-specific (e.g., fund flows) events. Per conversations with IMG and our syndicate, below we outline the main categories and sub-categories of investors we would target:

- ***Most Active California POB Buyers*** – The first group we would target are active buyers of recent California POB transactions. This group will have an existing understanding of POB offerings and will have a basic comfort level with California local government general fund backed debt.

### Active California POB Buyers

Nationwide Insurance	Goldman Sachs AM
Delphi	40/86 Advisors
Robert W. Baird	Prudential
Wellington Management	Allstate
BlackRock	PPM America
Hartford	New York Life

- 2020's Most Active Buyers of Taxable Bonds, including with a 10 year Par Call – As one of the largest underwriters of taxable municipal bonds in California and nationwide, we have unique insights into the most active buyers of taxable bonds, including those who purchase taxable bonds with a 10 year par call. While the structure is not as common in the taxable space, there is a specific subset of buyers who are active participants on transactions with par call features, as evidenced by our recent City of LA transaction.

### Active Taxable Buyers

TC Asset Management	Breckinridge
Vanguard	Franklin
Eaton Vance	Nuveen
BNY Mellon	Wells Cap
AllianceBernstein	MFS
Bel Aire	Invesco

More broadly, we would seek to target investors based on market conditions at the time of the sale. For example, California bond funds with inflows closer to the sale may have appetite for the bonds (select targeted funds highlighted in yellow above). Finally, we believe there could be some demand from retail buyers (including professional retail), however, our expectation is that retail demand will be modest.

- California Bond Funds with Inflows – Because the City's taxable offering would still be exempt from California taxes, we would seek to target California specific bond funds that will benefit from state tax exemption. Funds with recent inflows are the best targets as they are incentivized to put capital to work.

- International Investors - On recent taxable financings, including for SFPUC, we have seen some participation from international taxable investors. In our experience, international investors are more apt to participate in municipal deals when they are presented with (i) benchmark maturities, (ii) benchmark size, (iii) make whole call features, and (iv) "household" issuers. This suggests that the City's transaction may not be a great fit for most international buyers. However, we would recommend including the appropriate disclosure for international investors in order to have the option to explore that avenue as we have seen some recent interest from Taiwanese investors, among others.
- Taxable / Crossover Buyers – Our syndicate desks (municipal and corporate investment grade) work seamlessly to find incremental buyers. We would target certain buyers who primarily buy corporate taxable bonds and who may be seeking to diversify their portfolios for a variety of reasons.
- Retail / SMAs – Professional retail money managers / SMA investors continue to be a huge portion of the municipal market. Some of them have appetite for municipal taxable bonds, specifically those who manage assets for California based accounts. That said, some professional retail money managers and advisors will not buy pension financings or appropriation structures as a basic rule; thus we expect retail demand to be modest. However, given state tax exemption, we would anticipate some demand in the front-end of the curve.

### PRICING STRATEGY

While the prior sections describe ways in which the City can better position itself before pricing, there are a number of ways that the City can structure the pricing process to obtain

superior pricing. The following are tools that can improve results:

### **Syndicate Policies / Order Priority**

As discussed above, we believe bond funds and other institutional accounts will be the primary investors for POBs. However, we will want to craft the syndicate policy to also encourage SMA accounts to participate.

As such, we would suggest structuring the syndicate policies to create retail order priority. Due to the importance of SMA's in the retail market versus more traditional mom-and-pop, we strongly encourage including them in the definition of "retail" as it relates to Vernon's retail priority policies.

### **Retail Order Period ("ROP")**

In the face of recent market volatility and uncertainty caused by the COVID-19 pandemic, the City should seek to minimize the amount of time it is in the market. A one-day pricing with retail priority rather than a day long dedicated ROP reduces market risk and allows the City to nimbly enter the market if conditions warrant, while still ensuring that SMA buyers have a chance to purchase bonds. As such, we do not think a separate retail order period is necessary, but we are happy to revisit this closer to pricing.

### **Sealed Bid**

A sealed bid for the first maturity, for which syndicate members put in orders and the order with the lowest cost is awarded the bonds, is something we would be happy to consider. That said, we have seen a number of issuers move away from sealed bids so as to: (i) maximize demand via order period, (ii) retain the ability to tighten price, and (iii) due to issue price certificate considerations. We are open to running a sealed bid, though we do not believe there is a need to have one.

### **UNDERWRITING UNSOLD BALANCES**

Goldman Sachs stands behind its clients, including underwriting unsold balances when necessary. Our underwriters have full discretion and authority to underwrite issues

as needed, which allows us to react nimbly. Our syndicate desk has underwritten over \$380mm of unsold balances over the last year in order to help clients achieve successful pricings in the face of COVID-19.

### **LIABILITIES AND COMPENSATION**

For this transaction, we suggest that the City select one sole manager that is involved on a daily basis in assisting the City's team to craft the financing plan. For this type of credit, the focus should be on giving the City guidance on how best to structure its financing. The manager has significant responsibilities including modeling, credit strategy, marketing, and if necessary, underwriting unsold balances. Therefore, considering the proposed deal size and responsibilities, we would suggest one sole manager with 100% liabilities and a commensurate underwriter's discount allocation.

### **C. LEASE REVENUE BONDS**

While much of our marketing strategy above also applies to a LRB financing, LRBs also require a carefully crafted and diligently executed marketing strategy given the credit nuances. Certain investors will not buy LRBs given prior bankruptcies and credit events, while other investors will only purchase certain types of LRBs. As part of our targeted marketing strategy, we will focus on the City's credit story, the state and psychology of investor demand, the City's lease structure and asset quality, and on developing an optimized financing structure. Our approach will help maximize demand and create price competition between different types of investors, lowering yields for the City. We believe what sets us apart from our competitors is our experience and ability to take the time to focus investors on the strengths of the City's LRB program. For a future LRB transaction we would recommend generally the same steps and syndicate policies as described above but with the following enhancements:

Emphasize Asset Essentially and Lack of Construction Risk – If applicable, the lack of construction completion risk, the asset essentiality, the multiple assets, and asset diversification would be key sale points to be conveyed to investors.

Highlight Stronger Abatement Lease Structure – Not all investors understand the nuances of California abatement leases versus appropriation leases/credits. A major part of our success and leadership in this space is our ability to highlight the relative strength of California LRBs. As part of our marketing strategy, we will focus investors on the same positive features that are offered by the City’s LRBs.

Maintain Right to Re-Let – While we have sold LRBs for other issuers without the right to re-let pledged property, we found that certain investors have declined to participate,

including Vanguard and USAA. The City should include this provision in its LRBs to the extent possible.

Target Most Active California LRB Buyers – In addition to a number of the investor categories highlighted above, we would target active buyers of recent California LRB transactions. This group will have an existing understanding of LRB credits and will likely serve as anchor orders for any future City LRB transactions.

<b>Active California LRB Buyers</b>	
Vanguard	Blackrock
AllianceBernstein	JP Morgan AM
BNY Mellon	Fidelity
MFS	Oppenheimer
Capital Research	Nuveen
MacKay Shields	Deutsche

## F. Fees and Costs

For the City’s contemplated transaction, we propose a takedown of \$3.00 per bond plus reimbursement for actual expenses incurred. We are not proposing a management fee; however, a complex transaction may warrant a discussion with the City whether a fee is appropriate. Our proposal assumes a \$116mm transaction.

We believe our pricing proposal reflects our eagerness to work with the City, the complexity and scope of the work to be done, the value we expect to contribute, as well as current market conditions. Goldman Sachs prides itself on pricing aggressively and achieving competitive rates for clients. Our

proposal is detailed below. We would be happy to discuss it further with the City.

<b>Gross Spread Summary</b>		
	<b>\$ / \$1,000</b>	<b>Amount (\$)</b>
Takedown	\$3.000	\$346,950
Expenses	0.618	71,473
<b>Total</b>	<b>\$3.618</b>	<b>\$418,423</b>

<b>Estimated Underwriter’s Expenses (NTE)</b>		
	<b>\$ / \$1,000</b>	<b>Amount (\$)</b>
Underwriter’s Counsel	\$0.432	\$50,000
CUSIP Fee	0.008	902
CDIAC Fee	0.043	5,000
Ipreo Fees	0.102	11,771
DTC	0.007	800
Continuing Disclosure	0.009	1,000
GS Out-of-Pocket	0.017	2,000
<b>Total</b>	<b>\$0.618</b>	<b>\$71,473</b>

## G. Ability of the Proposer to Perform

Goldman Sachs & Co. LLC is one of the largest, most diversified, and strongest capitalized banking institutions in the world. The Firm provides a full range of investment,

advisory, and financial services to a diversified client base including governments, corporations, financial institutions, and individuals around the world. Headquartered



in New York City, Goldman Sachs has 17 regional offices in the United States and maintains additional offices in over 30 countries with over 34,000 employees worldwide.

#### **COMMITMENT TO SECTOR AND CALIFORNIA**

Serving the public sector is a core business of Goldman Sachs. The Firm initially entered the public finance sector in 1954 and for over 65 years has been one of the leading industry participants. Our focus and dedication to municipal issuers remains strong as we continually strive to develop innovative financing ideas and deliver best execution for our clients' transactions. The PSI Banking Group and Municipal Sales and Trading Group include 132 dedicated municipal professionals, including over 85 banking personnel. Additionally, Goldman Sachs maintains a leading bond sales organization, including over 500 registered representatives.

Goldman Sachs maintains a strong commitment to our clients in California. We have had a presence in Los Angeles since 1961 and a presence in San Francisco since 1968. Goldman Sachs currently employs over 160 individuals in the Los Angeles office and more than 370 in the San Francisco office. Across both offices, Goldman Sachs employs 18 PSI bankers dedicated to municipal financings, with the primary focus on California. Additionally, the firm also has offices in Menlo Park and Irvine covering other industries.

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#### **RELEVANT POB EXPERIENCE**

Goldman Sachs has extensive experience leading POB financings. Our Firm has been involved as either lead or co-manager on nearly \$8 billion of POB issues nationwide since January 2010. Additionally, we rank fifth in the POB underwriter league table during the same time period. *We have also been engaged as the lead underwriter for a large southern California city planning to execute a POB financing in 2022.*

We have also executed some of the earliest California POB financings including for the County of Los Angeles in the early 1990s and restructured Orange County's POB debt, both underwriting new issues and tendering, for over \$830 million between 1996 and 2000. Goldman Sachs also senior managed POB financings for the County of San Bernardino in 2004 and 2008. More recently, Goldman Sachs was bookrunning senior manager on the City of Philadelphia's \$300 million and \$231 million POB financings (2012), the State of Illinois' \$3.4 and \$3.7 billion pension financings (2010 and 2011), and a \$396 million POB financing for the City and County of Denver's School District (2011). In 2016, Goldman Sachs was appointed to serve as a joint bookrunner for the State of Alaska's multi-billion POB offering. During the marketing process, the deal was pulled after State legislature support dwindled. We also worked with a large city in 2018 to explore a multi-billion pension financing. Goldman Sachs helped the city conduct confidential rating agency evaluations of the financing structure and its impact on the GO credit. Through these transactions, we have gained important insights into how the rating agencies and investors view POBs and the impact of the financing on credit.

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#### **OTHER RELEVANT EXPERIENCE**

Goldman Sachs has a long history of leadership in the taxable municipal bond market, both in California and nationally. *In 2019 we were the #1 negotiated underwriter of California taxable bonds.* During 2020, Goldman Sachs priced municipal taxable transactions for ~30 issuers nationwide, representing over \$19bn in par (excluding corporate CUSIP not-for-profit issuers). In 2019, we sold one of the largest ever, at the time, taxable transactions with a par call for Foothill Eastern TCA in Orange County (\$897mm), and recently led another large refinancing for TCA as well as a taxable financing for the City of Los Angeles. As

demonstrated by the below assignments, our taxable market leadership and frequent investor engagement gives us the tools and insights to deliver best execution and pricing to the City. A list of recent taxable bond experience is included in Appendix C.

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### RELEVANT LRB EXPERIENCE

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Goldman Sachs has extensive experience structuring and marketing lease revenue bonds in the California and west region. In just the past year alone, we have senior managed lease revenue financings for the City of Los Angeles (MICLA) and the City of Anaheim, and remain a top ranked underwriter of California GF-backed lease revenue bonds. ***We believe our market leadership uniquely positions us to best help the City successfully structure, market, and price any future LRB/ General Fund financings.*** Please see Appendix D for a list of our LRB experience. Case studies for these transactions are included in Appendix E.

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### DIRECT CITY EXPERIENCE

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On March 4, 2020, the City's GS team banking and underwriting leads (Joey, Jessica and Sam) priced VPU's \$72mm of Electric System Revenue Bonds, 2020 Series A. The Bonds, issued to current refund \$58mm of outstanding 2009 Series A bonds and fund \$25mm of the City's Capital Improvement Plan, created over ***\$1.6mm of PV savings.*** During the process, Goldman Sachs led a highly tailored rating agency approach, resulting in an upgrade from Moody's to Baa2 from Baa3 despite Vernon being party to ongoing litigation related to its electric system. Ultimately, the Bonds priced successfully with an all-in TIC of 2.29% in the wake of significant rate market volatility the day after the Federal Reserve announced an emergency 50bp cut in response to the outbreak of COVID-19.

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### PROJECT TEAM

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Goldman Sachs has assembled a project team which will provide the City with a high level

of service and expertise for its financing. ***Our team members have direct and relevant experience leading taxable and LRB financings for municipal issuers.***

***Joey Natoli, Co-Head of West Region Public Sector & Infrastructure Group, Jessica Yueh, Vice President, and Chris Bergeron, Vice President,*** will serve as the core banking team and day-to-day managers on the transaction. Their brief resumes are included below. ***Mark Somers, Vice President (Time: 10%), Vanessa Eckert, Vice President (Time: 10%), and Liza Koulikova, Analyst (Time: 40%)*** will provide additional banking support for this transaction, and are committed to delivering the highest level of service. The lead underwriter for the City's transaction will be ***Sam Denton-Schneider, Vice President (Time: 15%)***. Sam has tremendous experience with California issuers and leads the majority of our west coast financings.

Below, we describe three of the individuals that will be involved day-to-day, as well as our lead syndicate member, but the City will have access to the entire Goldman Sachs team, as well as other specialists on credit advisory, tax and bond structuring, as needed.

### CORE BANKING TEAM



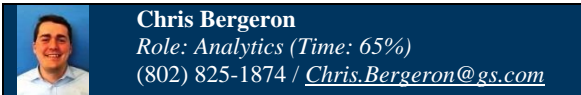
**Joseph Natoli**  
*Role: Team Lead (Time: 75%)*  
(415) 393-7765 / [Joseph.Natoli@gs.com](mailto:Joseph.Natoli@gs.com)

***Joseph Natoli*** will lead our team, providing day-to-day leadership, analytical and credit insights as well as ensuring the City has access to firm resources. Joseph, based in San Francisco, co-heads our West Coast PSI practice, and leads coverage of the City itself, APU, SCPPA, and SMUD, among others. In 2020, Joey led the Goldman Sachs team to successfully price the City's Electric System Revenue Bonds, initiating a robust investor marketing effort during the onset of the COVID-19 pandemic.



**Jessica Yueh**  
Role: Execution (Time: 70%)  
(310) 410-5706 / [Jessica.Yueh@gs.com](mailto:Jessica.Yueh@gs.com)

**Jessica Yueh** will lead execution and serve as an additional day-to-day contact. A vice president based in Los Angeles with over 12 years of experience, Jessica covers infrastructure clients with a focus on Southern California issuers such as the Cities of Vernon, Los Angeles, and Anaheim. Jessica has worked on a number of complicated LRB financings, including a \$811mm City of LA LRB restructuring in 2016 and 2021 LRB financings for the Cities of LA and Anaheim earlier this year. Jessica has previously helped support the City over the last few years in its efforts to finance a potential purchase of the Malburg Generating Station.



**Chris Bergeron**  
Role: Analytics (Time: 65%)  
(802) 825-1874 / [Chris.Bergeron@gs.com](mailto:Chris.Bergeron@gs.com)

**Chris Bergeron** will provide analytical support to the team. Chris focuses on western region infrastructure clients, including cities and counties, among other areas. Over his career, Chris has structured over \$17bn of financings for a wide variety of borrowers. His recent experience with California cities includes executing transactions for the cities of Sacramento, Orange, Santa Barbara, Torrance, and Pittsburg, among others. Chris is also leading the quantitative analysis for a POB transaction in Southern California.

## LEAD UNDERWRITER



**Sam Denton-Schneider**  
Role: Underwriter (Time: 15%)  
(212) 902-6591 / [Sam.Denton-Schneider@gs.com](mailto:Sam.Denton-Schneider@gs.com)

**Sam Denton-Schneider** will serve as lead underwriter for the proposed transaction. Sam has over 11 years of experience in the Municipal Finance business. He worked as an investment banker in our San Francisco PSI office for several years before transitioning to an underwriting role. Sam leads nearly all of our west coast issuance, including the City’s \$72mm 2020 Electric System financing. He maintains strong relationships with both national and CA-specific funds. Sam’s recent taxable and LRB financing experience includes offerings for the City of Los Angeles, the City of Anaheim, the City of Sacramento, the State of California, the California State Public Works Board, and Riverside County Transportation Commission, among others.

## REFERENCES

References for the team are provided below:

References
City of Los Angeles <b>Ha To</b> , Chief of Debt Management (213) 473-7529 / <a href="mailto:ha.to@lacity.org">ha.to@lacity.org</a> 2021: \$177mm lease revenue bonds
City of Chicago <b>Jack Brofman</b> , Deputy Chief Financial Officer (312) 744-5042 / <a href="mailto:jack.brofman@cityofchicago.org">jack.brofman@cityofchicago.org</a> 2020: \$1bn sales tax financing, \$466mm GO financing, \$1.5bn tender offer
City of Sacramento <b>Brian Wong</b> , Debt Manager (916) 808-5811 / <a href="mailto:bwong@cityofsacramento.org">bwong@cityofsacramento.org</a> 2020: \$216mm water/wastewater revenue ref bonds

## H. Affidavit of Non-Collusion

Please see Appendix F for a completed “Affidavit of Non-Collision” form.

## Appendix A. Conflicts

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Goldman Sachs is a full service firm engaged in trading, underwriting, investment banking, commercial banking, financial advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services for various persons and entities.

Goldman Sachs has in place policies and procedures designed to prevent the unauthorized disclosure of confidential information from its investment banking division, including the Public Sector and Infrastructure Banking group (“PSI”), to its sales and trading, investment research and investment management divisions. In reliance on these policies and procedures, business units outside of PSI may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments (each, an “Instrument”) for our own account or for the accounts of our customers. Our sales and trading, investment research and investment management divisions may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such Instruments, and may at any time recommend or otherwise communicate to clients that they should acquire long and/or short positions (including, for example, by buying and/or selling credit protection against default by an issuer) in such Instruments. The investment and trading activities and communications described in this paragraph are conducted in business units outside of PSI and may relate to or involve the issuer or Instruments of the issuer or persons or entities with relationships with the issuer, and may be, or appear to be, inconsistent with the interests of the issuer. Goldman Sachs, including PSI, may also provide investment banking, commercial banking, underwriting, financial advisory services and other services to persons and entities with relationships with the issuer.

Goldman Sachs has considered this assignment through our centralized conflicts clearance process it uses to evaluate potential new investment banking assignments. Based on our review, we do not believe that there are any activities in which the firm is currently engaged that would present an actual conflict that would prevent us from accepting a mandate from you or from executing fully the roles and responsibilities that are the subject of this Request for Proposal. Please be assured that, in the event we are selected to act as an underwriter in connection with the offerings contemplated by this Request for Proposal, we will follow the same robust conflict clearance process with respect to potential future investment banking assignments and, if we believe that any such assignment would present an actual conflict that would prevent us from executing fully the roles and responsibilities that are the subject of this Request for Proposal, at such time that we are not otherwise able to resolve, we will, to the extent we are permitted to do so, notify you of such conflict and endeavor to work with you to resolve such conflict to our mutual satisfaction.

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## Appendix B. Scope of Services

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Please note the exclusion for underwriters from the definition of municipal advisor (as defined in Section 15B of the Securities Exchange Act of 1934 (the “SEC MA Rules”)) is limited to activities that are within the scope of an underwriting of a particular issuance of municipal securities. As such (absent another exemption or exclusion), if Goldman Sachs is engaged to be an underwriter for the City of Vernon’s (the “City”) issuance of municipal securities contemplated by the RFP (the “Offering”), any engagement would be limited to those services related to the Offering and deemed to be within the scope of the underwriter exclusion of the SEC MA Rules (*see pgs. 165-166 of SEC Release No. 34-70462*). In order to be able to provide services outside the scope of the underwriting exclusion, Goldman Sachs must be able to rely on the exemption to the MA Rules (the “IRMA exemption”) for entities that are represented by an independent registered municipal advisor with respect to the same aspects upon which Goldman Sachs provides any advice with respect to municipal financial products or the issuance of municipal securities; provided, that, any such services performed in reliance on the IRMA exemption would not alter the role of Goldman Sachs as an underwriter or the arm’s length nature of the relationship between the City and Goldman Sachs. Further, the City, its counsel and other advisors shall be responsible for the disclosure documents and other legal documents; provided, that, as an underwriter, Goldman Sachs will review the disclosure documents in accordance with, and as part of, its responsibilities to investors under the federal securities laws. The primary role of Goldman Sachs, as an underwriter, would be to purchase securities, for resale to investors, in an arm’s-length commercial transaction between the City and Goldman Sachs and Goldman Sachs has financial and other interests that differ from those of the City. Goldman Sachs would not be acting as a municipal advisor, financial advisor or fiduciary to the City or any other person or entity in connection with the role and matters contemplated by the RFP. As noted in our proposal, nothing in Goldman Sachs's response to this RFP is an expressed nor an implied commitment by Goldman Sachs to purchase or place any securities, provide credit or liquidity or to act in any capacity contemplated by this RFP. Any such commitment to perform the services contemplated by this RFP shall only be set forth in a separate agreement. For information regarding the role of an underwriter, please see our disclaimer on the cover page.

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## Appendix C. Taxable Bond Experience

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Recent GS California Taxable Bond Experience				
Sale Date	Issuer	Par (\$mm)	GS Role	Bankers/UW
06/10/21	Anaheim Public Financing Authority	\$139	Lead	JY, CB, SDS
02/24/21	City of Los Angeles	177	Lead	JY, SDS
01/27/21	Foothill/Eastern TCA	241	Lead	SDS
11/19/20	Port of Oakland	344	Lead	SDS
10/07/20	San Fran Pub Utilities Co	664	Lead	SDS
09/15/20	Roseville Electric System	35	Sole	JRN, VSE, SDS
09/10/20	So Cal Public Power Authority	70	Lead	JRB, SDS
08/26/20	Trustees of the Cal State Univ	995	Lead	MS, SDS
06/18/20	City of Sacramento	28	Sole	CB, SDS
04/23/20	City of Sacramento	188	Lead	CB, SDS
12/10/19	Foothill/Eastern TCA	897	Lead	SDS
12/05/19	San Diego Co Reg Trans Co	443	Lead	SDS
12/03/19	Orange Co Water District	59	Sole	SDS
10/16/19	San Diego USD	27	Lead	SDS
09/19/19	Bay Area Toll Authority	973	Lead	JRN, SDS
04/17/19	Anaheim Pub Fin Authority	7	Sole	JY, SDS
01/11/19	San Fran City & Co Airport Co	89	Lead	SDS
<b>Total</b>		<b>\$ 5,376</b>		

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## Appendix D. LRB Experience

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<b>LRB Experience Since 2017</b>				
<b>Sale Date</b>	<b>Issuer</b>	<b>Par (\$mm)</b>	<b>GS Role</b>	<b>Bankers/UW</b>
6/10/21	Anaheim Public Fin Authority	\$139	Lead	JY, CB, SDS
5/5/21	Ohio	228	Co	MS, SDS
2/24/21	City of Los Angeles (MICLA)	238	Lead	JY, SDS
6/03/20	Ventura Co Public Finance Authority	287	Co	JY, SDS
4/17/20	California State Public Works Board	113	Co	SDS
4/08/20	New York Transportation Development Corp	318	Lead	SDS
2/12/20	Indiana University	108	Co	SDS
10/29/19	California State Public Works Board	313	Co	SDS
4/17/19	Anaheim Public Fin Authority	175	Sole	JY, SDS
6/19/17	Los Angeles County Asset Leasing Corp	37	Sole	JY, SDS
<b>Total</b>		<b>\$ 1,956</b>		

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## Appendix E. Recent LRB Case Studies

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### MUNICIPAL IMPROVEMENT CORPORATION OF THE CITY OF LOS ANGELES

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In February 2021, Goldman Sachs served as senior manager on the Municipal Improvement Corporation of Los Angeles' ("MICLA" of "City") \$177mm Lease Revenue Refunding Bonds, Series 2021-A (Federally Taxable) and as Dealer Manager on an associated \$60mm Exchange Offer. The City had planned to refund \$225mm of its existing Series 2014-A, 2014-A, 2019-A, and 2019-B Lease Revenue Bonds with taxable refunding bonds, and then elected to also pursue an exchange of these bonds which, if successful, would allow it to refund the targeted bonds on a tax-exempt basis and thus enhance debt service savings. In aggregate, the combined taxable refunding and tax-exempt exchange transaction (which achieved ~55% participation on the targeted bonds) achieved \$17.7mm of PV Savings (7.9% of refunded par) and \$22.0mm of near-term cashflow savings to be realized in the upcoming fiscal years for critical budgetary relief.

The City priced \$177mm of taxable bonds to advance refund all remaining bonds that were not exchanged. The taxable transaction priced during volatile market conditions largely driven by the prospect of increased inflation, which led the 10y UST to increase 10bps in the week leading to pricing. In addition, during the same week, a market-wide correction in the municipal market saw outflows and under performance, with the 10y MMD increasing by 27bps over that same week period, which contributed to a weaker market tone leading into pricing. Despite these challenging market conditions, the City was able to hold initial spread levels, with over 20 investors participating in the transaction.

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### ANAHEIM PUBLIC FINANCING AUTH. LEASE REVENUE BONDS

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In June 2021, Goldman Sachs served as senior manager on the City of Anaheim's (the "City") Lease Revenue Bonds Series 2021A transaction. The Bonds were issued to cover FY 2021 to 2024 projected General Fund deficits due to the impacts of the COVID-19 pandemic.

The pandemic's closure of the City's theme parks, the Anaheim Convention Center and sports and entertainment venues had an outsized effect on the City's General Fund, with the top two revenue sources, transient occupancy tax (TOT) and sales taxes revenues, facing particularly large reductions. While the City implemented expense reductions as a result of the economic impact, a working capital borrowing was necessary to continue to maintain service levels for the community.

Due to State law constraints, the City was required to implement a long-term lease revenue financing to fund the near-term projected General Fund deficits. The pledged property for the Bonds comprised of essential assets, including City Hall and police stations.

Goldman Sachs worked with the City to optimize its plan of finance and generate budgetary relief while the City's revenues recover. Alongside the City's financial advisor, Goldman Sachs crafted a credit presentation showing the strength of the lease structure and that the City was well-positioned to return a position of economic stability and growth. This resulted in Moody's revising the City's outlook from 'negative' to 'stable'. The City disclosed its intention to redeem the Bonds well in advance of their 2051 final maturity, and the Bonds were structured with a 10-year par call to allow for the planned early redemption.

A robust marketing effort consisting of an online investor roadshow and one-on-one investor calls resulted in a diverse order book that was multiple times oversubscribed and an all-in TIC of 2.94%. We believe this transaction highlights Goldman Sachs' leadership in the General Fund lease revenue structure and our ability to successfully execute such financings.

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**Appendix F. Affidavit of Non-Collision**

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**AFFIDAVIT OF NON-COLLUSION BY CONTRACTOR**

STATE OF CALIFORNIA )  
 ) ss  
COUNTY OF LOS ANGELES )

Joseph Natoli, being first duly sworn deposes

and says that he/she is Managing Director

(Insert "Sole Owner", "Partner", "President", "Secretary", or other proper title)

of Goldman Sachs & Co. LLC

(Insert name of bidder)

who submits herewith to the City of Vernon a bid/proposal;

That all statements of fact in such bid/proposal are true;

That such bid/proposal was not made in the interest of or on behalf of any undisclosed person, partnership, company, association, organization or corporation;

That such bid/proposal is genuine and not collusive or sham;

That said bidder has not, directly or indirectly by agreement, communication or conference with anyone attempted to induce action prejudicial to the interest of the City of Vernon, or of any other bidder or anyone else interested in the proposed contract; and further

That prior to the public opening and reading of bids/proposals, said bidder:

- a. Did not directly or indirectly, induce or solicit anyone else to submit a false or sham bid/proposal;
- b. Did not directly or indirectly, collude, conspire, connive or agree with anyone else that said bidder or anyone else would submit a false or sham bid/proposal, or that anyone should refrain from bidding or withdraw his/her bid/proposal;
- c. Did not, in any manner, directly or indirectly seek by agreement, communication or conference with anyone to raise or fix the bid/proposal price of said bidder or of anyone else, or to raise or fix any overhead, profit or cost element of his/her bid/proposal price, or of that of anyone else;
- d. Did not, directly or indirectly, submit his/her bid/proposal price or any breakdown thereof, or the contents thereof, or divulge information or data relative thereto, to any corporation, partnership, company, association, organization, bid depository, or to any member or agent thereof, or to any individual or group of individuals, except the City of Vernon, or to any person or persons who have a partnership or other financial interest with said bidder in his/her business.

I certify under penalty of perjury that the above information is correct

By: Joseph Natoli  Title: Managing Director

Date: 10/25/2021

# City Council Agenda Item Report

Agenda Item No. COV-854-2021

Submitted by: Eva Muro

Submitting Department: City Attorney

Meeting Date: November 8, 2021

## **SUBJECT**

CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Government Code Section 54956.8

Property: Malburg Generating Station, 2715 East 50th Street, Vernon, California

Agency negotiator: Carlos Fandino, City Administrator

Negotiating parties: Bicent (California) Malburg LLC

Under negotiation: Consideration of Price and Terms of Payment

## **Recommendation:**

## **Background:**

## **Fiscal Impact:**

## **Attachments:**