

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

---

Date: November 18, 2011

CAO File No. 0220-02221-8970

Council File No. 09-0234-S1

Council District: ALL

To: The City Council  
The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: C.F. 10-1763, 10-1763-S2, 98-0202

Subject: **REPORT BACK ON THE IMPLEMENTATION PLAN FOR THE RESPONSIBLE  
BANKING ORDINANCE AND AMENDING MOTION 24A**

---

### SUMMARY

On October 11, 2011, Council instructed the City Administrative Officer (CAO) to report back on the implementation plan for the proposed Responsible Banking Ordinance (RBO) (C.F. 09-0234-S1) and the potential financial impact of Amending Motion 24A (C.F. 10-1763-S2) which recommends "that the Council exclude from the qualified list for City bond programs any financial institution that the City of Los Angeles believes to have committed financial wrongdoing within the past five years." This report combines the RBO and Amending Motion 24A because both issues have overlapping policy goals and financial implications.

In preparing this report, this Office worked to maintain a balance between two values: 1) the City should pursue policies and practices that do not cause any significant financial loss, and 2) the City should use its purchasing power as a major consumer of goods and services to promote, attract, develop and foster responsible business practices that enhance the quality of life for Angelenos and do not harm or take advantage of its consumers.

On the first point, the following guiding principles help give focus: 1) to create an environment that fosters competition fairly among entities seeking to do business with the City, 2) to solicit opportunities/bids from all qualified entities seeking to provide goods and services to the City to ensure all possible options have been considered, and 3) to maintain flexibility that allows the managing departments to adequately meet the needs of the City in a cost effective manner. Specifically, the Treasurer has a fiduciary responsibility to act in accordance with the prudent investor standard.

*"That is, they shall act with care, skill, prudence and diligence under the circumstances then prevailing when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing funds. . . . the primary objective of any person investing public funds is to safeguard principal; secondly, to meet liquidity needs of the depositor; and lastly to achieve a return or*

*yield on invested funds."*

Although the City has a fiduciary duty to be fiscally prudent, it is also the Council's intent to be socially responsible. In developing a more refined definition of a responsible investment policy, we consulted with advocates in this field. They identified several key concerns impacting our residents that are also the main objectives of the RBO, including: (1) supporting the prevention of foreclosures and stabilizing the local housing market, (2) creating jobs, and (3) promoting small business development and economic growth. In the spirit of being socially responsible, the Responsible Banking Ordinance will build on the City's efforts to promote policies and practices that support locally based firms, diversify our pool of service providers, and promote City programs that assist low to moderate income communities.

Given our financial constraints, the City must balance these two values by being a smart consumer, maximizing the use of existing resources to achieve these objectives rather than duplicating efforts, and by acting in a fair and transparent manner.

#### Responsible Banking Ordinance

The recommendations in this report make changes to the proposed RBO prepared by the City Attorney (November draft RBO), and were developed in consultation with various community and public interest groups, organizations, financial institutions, City departments and other municipalities. The recommended changes seek to reach the same objectives while recognizing the City's limited resources including staff, funding and expertise to implement the program. The recommendations also recognize that while it is not the City's core mission to regulate banks, as a major market participant, the City has leverage to hold our service providers accountable to socially responsible business practices. The City should also adopt a RBO that is practical to administer given our financial constraints. Based on these factors, we revised the RBO to meet the City's goals at minimal cost by requiring additional information on the financial institutions' business practices in Los Angeles. Council will have this information to help complete its review of the recommendations on financial institutions submitted by departments.

The revised RBO distinguishes between commercial and investment banking by bifurcating underwriting services from other banking services, creating two separate RBO criteria. The RBO criteria for commercial banking services include several components:

- (1) Require applicants to submit information on its federal Community Reinvestment Act (CRA) score. The CRA process is objective and supported by expert analysis. The CRA is a 34 year-old proven process based on a periodic performance evaluation that includes a ranking, auditing and enforcement component with public input;
- (2) Require applicants to submit information related to Housing programs administered by the City; and
- (3) Require applicants to submit information related to the total value and number of small business loans issued.

The RBO criteria for investment banking services are based on the Corporate Citizenship Criteria (CCC). As part of the CCC, firms will be required to provide information about their corporate citizenship by demonstrating their active roles in the City that include but are not limited to a development or participation in charitable programs or scholarships and policies with regard to the use of women-owned, minority-owned and disadvantaged business enterprises.

Implementing the RBO can be best achieved by amending the Contractor Responsibility Ordinance (CRO) to include requirements that address community reinvestment information, participation in housing programs administered by the City, employment opportunities, and small businesses and economic growth. The CAO recommends that Council request the City Attorney and instruct CAO, CDD, Housing, and Treasurer to develop a set of questions to include in the Contractor Responsibility Questionnaire for service contracts incorporating the above mentioned social investment policy issues. We also recommend that the Council urge the proprietary departments to adopt this policy and utilize the CRO after it is amended. This is the most practical and effective approach in balancing the City's fiscal responsibilities while meeting its policy goals. Thus, an implementation plan for the RBO was developed with existing resources without a financial impact to the City.

#### Concerns and Implications Relating to Amending Motion 24A

Amending Motion 24A seeks to hold financial institutions accountable for their financial wrongdoings by debarring them from doing business with the City. It is also the City's goal to promote responsible business practices and to assure that Minority-owned and Women-owned Business Enterprises (MBE/WBE) are given the opportunities to participate in contract and procurement of goods and services. As a market participant, the City can implement these policies by debarring entities from doing business if the entities are non-responsive, subject to the established City contracting rules and regulations. These contracting rules and regulations are discussed later in this report. In meeting these policy goals, while preserving the City's ability to be a strong and effective consumer, the CAO recommends to exclude any entity from the Qualified List that is determined to be "non-responsive" pursuant to the CRO.

The diversity of the Qualified List for underwriting, remarketing, investment banking and other related services for the City bond programs (the "Qualified List") (C.F. 10-1763) fosters competition among the underwriters when they compete for various City bond financings. If the Qualified List is reduced in size, it will limit the City's ability to bring together the best underwriting teams for its bond financings to achieve the lowest interest cost. We believe the current Qualified List of diverse underwriters allows the City the flexibility to form underwriting teams to best fit the City's needs and policy goals.

Moreover, after reviewing the financial ramifications associated with Amending Motion 24A, among other things, the City would pay anywhere from \$58 million to \$64.8 million in replacement costs if the City terminates agreements with the financial institutions that provide credit facilities (e.g. letters of credit) to support the City's commercial paper programs (CP Programs) and variable rate debt obligations (VRDOs).

### Selection Process Relating to the Qualified List

On October 11, 2011, Council rejected the CAO's recommendation to authorize the CAO to execute and negotiate contracts with the firms on the Qualified List. We recommend Council to reconsider this action. According to a publication (see Attachment A) from the Government Finance Officers Association (GFOA),

*".....the GFOA vigorously supports the use of an open, merit-based process for the selection of underwriters for those bond issues that are not sold by the competitive bid process."*

Therefore, to eliminate/reduce the appearance of a non-merit based selection process and to promote a fair competitive environment, the CAO requests the authority to negotiate and execute contracts with any of the firms listed on the Qualified List, over a period of three years with the option to extend the Qualified List for two additional one-year extensions.

The Qualified List consists of 14 firms that are only investment banks that provide underwriting services and eight firms that provide underwriting services plus have affiliates that provide other commercial banking services. The CAO recommends Council to consider each firm separately when determining the firm's responsibility and business involvement with the City. In other words, the City should evaluate underwriters (investment banks) based on information pertaining to their underwriting services only. Any commercial banking services provided by their affiliates should be evaluated separately. The City Attorney has concurred with this advice.

This report is in compliance with the City's Financial Policies.

### **RECOMMENDATIONS**

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

1. ADOPT the Responsible Banking Ordinance as revised by the City Administrative Officer for commercial banking services to be based on the following criteria:
  - a. Require applicants to submit information on its federal Community Reinvestment Act score.
  - b. Require applicants to submit information related to Housing Department programs administered by the City.
  - c. Require applicants to submit information related to the total value and number of small business loans issued citywide.
2. ADOPT the Responsible Banking Ordinance as revised by the City Administrative Officer for investment banking services, specifically underwriting services, to be called the Corporate

Citizenship Criteria to be based on the following criteria: Require that banks provide information about their corporate citizenship by demonstrating their active roles in the City of Los Angeles that include but are not limited to a development or participation in charitable programs or scholarships, and policies with regard to the use of women-owned, minority-owned and disadvantaged business enterprises;

3. Instruct the City Attorney and the City Administrative Officer to amend the Contractor Responsibility Ordinance to include the Responsible Banking Ordinance and instruct the Community Development Department, Housing Department, and City Treasurer to develop a set of questions to include in the Contractor Responsibility Questionnaire for service contracts incorporating the above mentioned social investment policy issues and report back in 60 days;
4. Instruct the City Administrative Officer to remove any firm from the Qualified List for underwriting, remarketing, investment banking and other related services for the City bond programs (the "Qualified List") that is determined to be "non-responsive" pursuant to the Contractor Responsibility Ordinance;
5. AUTHORIZE the City Administrative Officer to negotiate and execute contracts with any or all of the firms on the City's Qualified List, as needed, over a three year term with the option to extend the Qualified List for two additional one-year extensions, to serve as senior and co-managers for underwriting, remarketing, investment banking and other related services for the City bond programs, subject to the approval of the City Attorney as to form; and
6. INSTRUCT the City Administrative Officer to treat the firms on the Qualified List as separate entities from their affiliates when determining an entity's responsibility pursuant to the Contractor Responsibility Ordinance.

#### **FISCAL IMPACT STATEMENT**

This report has no immediate fiscal impact on the General Fund.

#### **DEBT IMPACT STATEMENT**

This report has no immediate debt impact on the General Fund.

## **FINDINGS**

### **Background on the Responsible Banking Ordinance**

On February 2, 2009, a proposal (C.F. 09-0234) was introduced to create a City policy in which the City would divest from banking institutions that "fail to cooperate with foreclosure prevention efforts . . ." In September 2009, the proposal was expanded to include the City's investment portfolio as leverage to support local economic development and to encourage banks to be socially responsible in their lending practices. In November 2010, the City Attorney prepared and presented the November draft Responsible Banking Ordinance (RBO) for the Council's consideration. On October 11, 2011, City Council adopted a motion instructing City departments responsible for developing the proposed RBO to report back with an implementation plan by November 21, 2011 (C.F. 09-0234-S1). In accordance with Budget and Finance Committee instructions, this Office met and consulted with various public interest groups, including representatives from non-profit and faith-based organizations, Neighborhood Legal Services, the Federal Reserve Bank, a former member of the national advisory committee to the Federal Reserve Bank Board of Governors, financial institutions on the commercial banking side as well as the investment banking side (underwriting services), local business interest groups, various City departments and representatives of other major U.S. cities.

The November draft RBO is essentially a reporting mechanism to demonstrate which financial institutions the City deems as responsible by establishing a scorecard to rank their lending activities and their community involvement within the City limits. The November draft RBO would task the Treasurer with the responsibility of collecting information related to a financial institution's community lending and banking related activities including but not limited to branch activity and locations, foreclosure policies and federally mandated reports. The information collected would be utilized to develop the City's own Community Reinvestment Score (CRS) that would be used as a tool to decide which banks are awarded business. The banking services referenced as part of the RBO include depository, investment and disbursement, wire transfers, and underwriting services. The process of collecting and ranking banks will be annual, the findings of which would be publicly disclosed on the City's webpage and communicated in a report to the Mayor and City Council. In addition to a bank's CRS, the RBO would authorize the Treasurer and the CAO to disqualify banks from receiving business if there is evidence of a pattern of discriminatory or illegal credit practices, or conviction of criminal or civil laws.

The proposal to adopt a RBO is not unique to Los Angeles as other major U.S. cities have adopted or are considering similar legislation. In comparing policies, the common themes were supporting a bank's commitment on foreclosure prevention efforts, extending credit in a fair and unbiased manner, and supporting a bank's commitment towards promoting small business and economic development through its lending activities. Despite the comparisons in overall goals and objectives, each municipality accomplished its goals through a different set of criteria that best fit its needs and resources (see Attachment B).

## **Recommended Changes to the Responsible Banking Ordinance**

The following are recommendations for changes to the proposed RBO:

### **1. Utilize the Federal Community Reinvestment Act (CRA) Score**

The proposed RBO requires the City to implement its own scoring methodology, similar to the City of Cleveland. In the alternative, there are cities that utilize existing methodologies and resources, the most common of which is the federal Community Reinvestment Act (CRA) score. Other scorecards developed by a variety of private firms and public interest groups include the Annual Retail Banking Satisfaction Study by the marketing firm J.D. Power and Associates, publications prepared by the Greenlining Institute, the Bank Scorecard prepared by the Association of Financial Professionals (AFP), and periodic surveys conducted by the American Bankers Association (ABA). However, most of these studies and reports are limited in their focus to the top 20 banks based on their capital size. In addition, some of these studies and reports do not address the objectives of the RBO and therefore do not add significant value.

Cities that base their social investment policy on an existing scoring methodology have shared that their top concerns are: 1) lack of staff and funding resources to collect and analyze the information, 2) lack of expertise to advise on the ranking, and 3) duplication of efforts between governmental agencies. The November draft RBO requires the Office of Finance to collect extensive information from financial institutions on an annual basis. However, due to permanent staff reductions and high level vacancies of three division managers, implementing a comprehensive financial institution rating program is not feasible with existing staff resources. Given the expert analysis required and the detailed process involved in formulating a CRA score, it is difficult to replicate something similar.

### **CRA Overview**

The CRA of 1977 is a federal law designed to encourage commercial banks and savings associations to help meet the needs of borrowers, especially those in low and moderate income neighborhoods. The goal of the CRA is to reduce discriminatory credit practices against low-income neighborhoods by requiring banks to apply the same lending criteria in all communities. The CRA requires the responsible federal agency to use its authority when examining financial institutions that are subject to federal supervision, to assess the institution's record of meeting the credit needs of the communities they do business in, including low and moderate income neighborhoods, and that their practices and procedures are consistent with the safeness and soundness of the institution's operations. Upon conclusion, the agency prepares a written evaluation, also known as a Performance Evaluation (PE), of the institution's record of meeting the credit needs of its community. To enforce the statute, federal regulatory agencies consider a bank's CRA record or PE when determining whether to approve the institutions' requests to expand branches or mergers and acquisitions of other depository institutions.

### **Administering Agencies**

The federal agencies responsible for supervising the institutions include the Board of Governors of

the FRS with respect to state chartered banks that are members of the FRS and bank holding companies, the FDIC with respect to state chartered banks and savings banks that are not members of the FRS and the deposits of which are insured by the FDIC, the OCC with respect to national banks and savings associations, the deposits of which are insured by the FDIC, and savings holding companies (federal agencies).

The CRA examinations are lengthy and extensive. More importantly, the information contained in the PE are validated, verified and audited. For a major financial institution, examinations are conducted once every three or four years. The exam process entails a dedicated team of examiners from the federal agencies that are on-site for several months. Financial institutions have dedicated units tasked with overseeing CRA compliance and managing examinations. To meet the needs of CRA examiners, it is not uncommon for major financial institutions to staff units with an average of 30 full time employees.

#### Separate Criteria for Different Sized Banks

In contrast to the November draft RBO, the CRA examiners apply different criteria to large, intermediate and small banking institutions, which are defined by asset size thresholds determined by the federal bank regulatory agencies. Thresholds are reviewed and adjusted annually, in accordance with CRA rules and are based on the change in the average of the Consumer Price Index. Large banks are defined as institutions with assets of more than \$1.122 billion, and are evaluated on their record of meeting three CRA tests: a lending test, investment test, and a service test. In other words, regulators assess whether large banks have provided loans, investments, and services to low-and-moderate income individuals and neighborhoods in their assessment areas. Intermediate small banks, those with assets of \$280 million to \$1.122 billion are evaluated on their record of meeting two CRA tests: a lending and a community development test. Small banks, those with assets of less than \$280 million, are evaluated on just one CRA test, the lending test, but can try to enhance their CRA rating by asking regulators to evaluate their community development activities as well.

#### Public Exchange

The CRA requires that the public be engaged throughout the process, which is accomplished through several means. The public, which may include community development advocate groups, organizations, financial institutions, trade associations and others can comment on a bank's CRA performance any time by contacting the responsible federal agency. Public hearings are typically part of a bank's performance evaluation process. Also there is the Interagency Questions and Answers document published as part of the Federal Register that includes comments from various public groups. The Federal Register is the official daily publication for rules, proposed rules, and notices of federal agencies and organizations, as well as executive orders and other presidential documents. The public exchange has helped maintain the CRA process current and has provided administrators information on a bank's performance from someone other than the bank. Federal agencies also engage the public by offering educational sessions discussing the CRA process and by offering advice on how to utilize and interpret a bank's CRA score.



The CRA ratings range from Outstanding, Satisfactory, Needs to Improve, and Substantial Noncompliance. The following are the federal definitions for each CRA rating category:

*Outstanding:* An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area, including low and moderate income neighborhoods, in a manner consistent with its resources and capabilities.

*Satisfactory:* An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low and moderate income neighborhoods, in a manner consistent with its resources and capabilities.

*Needs to Improve:* An institution in this group needs to improve its overall record of helping to meet the credit needs of its assessment area, including low and moderate income neighborhoods.

*Substantial Noncompliance:* An institution in this group has a substantially deficient record of helping to meet the credit needs of its assessment area, including low and moderate income neighborhoods, in a manner consistent with its resources and capabilities.

Financial institutions treat their CRA examinations as a top priority because their CRA score has a financial impact to their overall profits and operations. Federal agencies review a bank's CRA score when considering a bank's request to open new branches, or if a bank intends to engage in a merger or acquisition. Although it is uncommon for a financial institution to receive less than an "Outstanding" or "Satisfactory" rating, the CRA is a 34-year old proven process that has influenced the banks by redefining the policies and practices to conform to CRA standards and additional social responsibility.

However, there are circumstances in which banks receive poor ratings. For example, in 2010 an intermediate bank based in Los Angeles received a "Needs to Improve" rating. After being rated satisfactory for many years, in 2010 the bank was downgraded by the FDIC because as an intermediate bank, it performed poorly under the Community Development Test (CD Test). The FDIC found that the bank demonstrated very poor responsiveness to the community development needs of the area assessed as a result of poor levels of community development lending and service activities. With a "Needs to Improve" rating, unless the bank takes measures to improve the rating under the CD Test, the FDIC may prevent the bank from further expanding its operations or participate in a merger or acquisition.

#### Impacts of the Community Redevelopment Act

There have been mixed reviews from City officials to using the federal CRA rating as the sole criteria for assessing banks under the RBO. Some argue that the findings of the CRA are too broad and do not accurately reflect local banking activity. However, the CRA has had a positive impact on low and moderate income communities. In particular, studies have shown that CRA-regulated lenders originate a higher proportion of loans in lower income communities than they would if the CRA did not exist. The Metropolitan Statistical Area (MSA), another term for the assessed area of the CRA,

may include a total of 300,000 to 1.6 million people, whereas population density by zip code is significantly smaller (40,000 to 130,000). The MSA for banks based within City limits is based on the areas of Los Angeles, Glendale and Long Beach. Although the MSA does not reflect activity as granular as it would if it were by zip code, the MSA is a fair representation of a bank's activities on a citywide basis given that the City covers most of the MSA when compared to the areas of Glendale and Long Beach combined.

As a pilot program, the CAO requested the 22 firms on the Qualified List to provide their affiliates lending information within the City of Los Angeles by zip code, as outlined in the draft RBO (see Attachment C for the Lending Information Request Form). The responses received from the firms were mixed. Thirteen firms reported that they only provide underwriting services therefore, had no lending information to submit. Two firms determined that their affiliates that participate in lending activities are separate entities and therefore, cannot report on their affiliates' business activities. However, one of these firms was able to provide their affiliate's CRA PE and SEC 10-K reports because these reports are publicly available online. Four firms were able to provide their affiliates lending information by zip code partly due to the fact that their lending activities in Los Angeles are few. One firm provided their affiliates' lending information by citywide. Another firm provided their affiliates' lending information by citywide and by zip code; however, explained that the firm can only provide information by zip code when it is publicly available. All other information not publicly available by zip code has a proprietary nature and/or is restricted by certain financial disclosure guidelines. Similarly, one other firm provided the lending information by zip code but declared that the information is proprietary and reserved the right to redact if necessary. Eight of the 22 firms provided their affiliates CRA score of which five firms received "Outstanding" scores and three firms received "Satisfactory" scores. After reviewing the responses, the data collected would be difficult to convert in a way the City can use to rank and score the financial institutions at the granular level as proposed in the draft RBO, notwithstanding the fact that the Treasurer does not have the staff nor the expertise to evaluate this type of data.

### City Treasury Responsibilities

According to the City Charter, the City Treasurer is the chief administrative officer of the City Treasury, shall be the custodian of all money deposited in the City Treasury and of all securities bought by the City. However, unlike other Council controlled departments, the authority for the City Treasurer derives from the California State Government Code (Government Code). The Government Code mandates the conditions under which the Treasurer selects the time, manner and placement for the deposit of City funds. As the trustee, the Treasurer is the governing official authorized to make investment decisions on behalf of the City. However, as of July 1, 2011, the powers, duties and functions of the City Treasury were transferred to the Office of Finance.

When implementing the RBO, the Treasurer must act in accordance with the prudent investment standard first, and the RBO second. According to the August 2011 California Debt and Investment Advisory Commission (CDIAC) publication for Local Agency Investment Guidelines, trustees of the City's Treasury are subject to the prudent investor standard.

*"That is, they shall act with care, skill, prudence and diligence under the circumstances then*

*prevailing when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing funds. . . . the primary objective of any person investing public funds is to safeguard principal; secondly, to meet liquidity needs of the depositor; and lastly to achieve a return or yield on invested funds."*

According to the Treasurer, the Government Code does not require the Treasurer to solicit requests for proposals when selecting financial institutions. However, in efforts to follow industry best practices, a Request for Proposal process is used to ensure an open and transparent process when selecting financial institutions that will be responsible for the deposit and management of the City's funds. The Treasurer must ensure that the RFP for financial services from banks include the following minimum requirements, which are mainly based on the Government Code:

- Proposers must be state or national banks, savings or federal associations, federal or state credit unions or federally insured industrial loan companies as required by Government Code 53648;
- Proposers must have a minimum of 10 years of experience in providing financial services;
- Proposers must have full understanding of the laws under the Government Code relating to deposit, investment and overall management of public funds in the State of California;
- Proposers must notify the City of any litigation involving the institution that has occurred within the last three years;
- Proposers must include their overall credit quality and financial strength; and
- Proposers must provide current CRA ratings. Any proposer with less than a satisfactory rating is disqualified.

The Treasurer also performs an independent credit analysis of each institution's financial strength, including the probability of default and the extent to which the institution is over-capitalized. Financial institutions are also required to meet certain requirements under the Government Code to accept the deposit of City funds. For example, City deposits must be collateralized to 110 percent in eligible securities. The City Charter requires the Treasurer to report monthly on the status of investments including compliance with the Investment Policy. The Treasurer also continually monitors each institution's credit and CRA rating.

It has been a long-standing goal for the Treasurer to analyze and review a financial institution's service delivery, CRA and other socially responsible community investment. In efforts of promoting equal opportunity to all sized banking institutions, the Treasurer has placed \$6 million in deposits with local banks through the Certificate of Depository Account Registry Services,

In summary, the challenges raised by the November draft RBO are lack of staff, funding resources, and expertise. Further it does not account for the Treasurer's mandate to comply with the State Government Code and the Prudent Investor Standard in selecting financial institutions. Regardless, it is within the City's best interest to adopt an alternative policy and one that balances the Treasurer's limitations and the Council's intent to be socially responsible.

## **2. Utilize a bank's participation in low and moderate income residential loan modifications with the City of Los Angeles**

Instead of utilizing a bank's CRA record alone, some cities have developed a local scoring methodology. Since one of the main objectives of the RBO is to support foreclosure prevention efforts, we recommend that the second criteria be a bank's participation record in housing programs that meet this goal. For example, as part of the Social Responsibility objective of the City of San Jose's Investment Policy, in addition to a bank's CRA record, the level of participation in the federal Home Affordable Modification Program (HAMP) is also considered. HAMP is a federal program to help eligible homeowners with loan modifications on their home mortgage debt. The program targets seven to eight million homeowners who are at risk of foreclosure, and creates opportunity to work with lenders by lowering monthly mortgage payments. The HAMP is part of the Making Home Affordable Program, which was created by the Financial Stability Act of 2009.

The City of Los Angeles received up to \$10 million in federal funding from the Troubled Asset Relief Program (TARP), through the California Housing Finance Agency. The purpose of which is to implement a principal reduction effort to prevent foreclosures in the most impacted areas of the City (South Los Angeles and the Northeast San Fernando Valley). The Principal Reduction Effort will be implemented by the Housing Department in collaboration with the Neighborhood Legal Services Los Angeles County. The purpose of the program is to pay investors net present value of principal reduction to reduce mortgage balances to reflect current market values. The result would provide a better return to investors than foreclosures, keep families within their homes and promote stabilization of the housing market in Los Angeles. We recommend that banks disclose the number of low and moderate income residential home loan modifications in participation with the City. We also recommend that a bank register the number of foreclosed properties (REO) owned by the financial institution or its parent subsidiaries with the City's Foreclosure Registry, including the length of time the REO properties have been maintained and the description of the maintenance program for REO properties.

## **3. Bifurcate Underwriting Services and Apply the Corporate Citizenship Criteria**

In surveying other cities, we found that the scope of its policies were limited to those financial institutions that provided commercial banking services and did not include underwriting services. To the best of our knowledge, the City's proposed RBO is the only social investment policy that includes underwriting services in addition to other banking services. However, to keep in spirit of the RBO, this Office recommends that a social investment component be incorporated as part of the selection criteria for underwriters, but in the form of the Corporate Citizenship Criteria (CCC). As part of the CCC, firms will be required to provide information about their corporate citizenship by demonstrating their active roles in the City of Los Angeles that include but are not limited to a development or participation in charitable programs or scholarships, and policies with regard to the use of women-owned, minority-owned and disadvantaged business enterprises.

It is extremely difficult, as further explained below, to objectively rank an underwriter's level or corporate citizenship because each underwriter demonstrates their corporate citizenship in a variety of ways and is not always in the form of monetary donations. Many of the small firms accomplish

their corporate citizenship with a combination of monetary donations and volunteering their time to a charitable organization or create internship programs in their firms.

#### Avoid Inequitable Ranking

Bifurcating underwriting services from other banking services is recommended to avoid inequitable ranking. The November draft RBO creates a scoring criteria of four categories, in which a competing firm may earn up to 25 points in each category. The four categories include:

- (1) Residential and Mortgage Lending Performance,
- (2) Small Business Lending Performance,
- (3) Community Reinvestment Performance; and
- (4) Charitable/Philanthropic Activities.

If the firm does not offer services in one of the four categories, the firm will be evaluated by the applicable categories based on a percentage. For example, if an institution does not provide residential lending, but performs in the other three categories, the firm's final score shall be based on a percentage of 75 points. The Qualified List of 22 underwriters includes only six firms that have affiliates that would be eligible to compete in all four categories. The remaining firms only provide investment banking related services limiting these firms to compete in only one criteria, the Charitable/Philanthropic Activities Criteria. The six firms that are subject to compete under all four categories are the larger financial institutions that also have the financial capacity to score well in the Charitable/Philanthropic Activities Criteria; the only criteria used to rank the smaller to mid-sized firms.

This matter is further complicated by the fact that most of the larger financial institutions have foundations created for the sole purpose of making charitable and philanthropic investments. At a community meeting hosted by this Office, it was recommended that the Charitable/Philanthropic Activities Criteria be evaluated based on a percentage that divides the total value of a firm's contribution by the total value of a firm's net asset. However, this would not guarantee an equitable scoring process given the larger financial institution's capacity for charitable and philanthropic giving. It is also difficult to decipher the source of the contribution. For example, although Bank Blue's foundation may contribute an annual amount of \$300 million to charity, it is unclear whether the source of the \$300 million is a result of revenues derived by the investment banking or commercial banking side of Bank Blue. Although the investment banking affiliate of Bank Blue is competing for underwriting services, Bank Blue may inadvertently take credit for charitable donations made by Bank Blue's commercial banking affiliate. Although the parent entity is the same, the two affiliates are completely separate entities and inherently provide different financial services.

#### Conflict with City's Policy of Fair Competition among All Firms, Large or Small

Several years ago, the City Council made a policy decision to allow the sale of bonds on a negotiated basis along with the competitive method of sale. This policy was allowed because the "smaller" underwriters were not able to submit sizable bids on a competitive sale therefore were unable to compete for City business. In a competitive sale, bonds are advertised for sale and are awarded to

the bidder offering the lowest interest cost. Depending on the size of the bond transaction, a smaller firm may not have sufficient capital to place a bid. On a negotiated transaction, the City can establish a team and split the transaction to multiple underwriters therefore, reducing the financial risk for each underwriter. This gives smaller firms the opportunity to sell the City's bonds without over extending its financial risk. Overall, the Council's decision was motivated by the fact that smaller to mid-size firms were unable to fairly compete with the larger financial institutions in a competitive sale. If the RBO is approved as currently proposed with the above mentioned categories, the small firms will be inadvertently disadvantaged as they do not have the same resources as the larger firms. Therefore, by bifurcating underwriting services from the proposed RBO, the City departments that hire for such services shall be subject to utilizing the CCC to meet the social investment objective of this initiative.

#### **4. Incorporate RBO into the Contractor Responsibility Ordinance**

Implementing the RBO can be best achieved by amending the Contractor Responsibility Ordinance (CRO) to include requirements that address community reinvestment information, participation in housing programs administered by the City, employment opportunities, and small business loan and economic growth. The CAO recommends that Council request the City Attorney and instruct the CAO, CDD, Housing, and Treasurer to develop a set of questions to include in the Contractor Responsibility Questionnaire for service contracts incorporating the above mentioned social investment policy issues. We also recommend that the Council urge the proprietary departments to adopt this policy and utilize the CRO after it is amended.

The CRO already has existing rules and procedures that address some requirements proposed in the RBO. For example, the draft RBO requires the Treasurer and the CAO, prior to award of business, to review the financial institutions' litigation and investigation history to determine if there have been any pattern of discriminatory practices. The Contractor Responsibility Questionnaire requires bidders to submit the same type of information, among other things, to determine if the bidder is responsible. Therefore, as part of the CRO process, the City can determine whether a financial institution is a responsible lender.

As a contracting requirement, the information collected through the Contractor Responsibility Questionnaire will only be requested during the competitive bid process. Financial institutions will be required to update their Questionnaire the next time they seek to do business with the City. This recommendation is in further support of the "smart consumer" approach. Rather than requiring the City to collect and review RBO information annually, it would be most practical to undergo this process periodically when awarding banking business.

#### **Background on the Amending Motion 24A**

On October 11, 2011, Council instructed the CAO to report back on the potential financial ramifications of Amending Motion 24A (C.F. 10-1763-S2) which recommends "that the Council exclude from the qualified list for City bond programs any financial institution that the City of Los Angeles believes to have committed financial wrongdoing within the past five years."

Subsequently, on October 17, 2011, the Budget and Finance Committee instructed the CAO and City

Attorney to report back on the following issues: 1) explain the differences between a commercial bank versus an investment bank, 2) define "wrongdoing" 3) provide contracting guidelines to debar an entity from doing business with the City, and 4) provide a detailed summary of federal and state regulatory agencies that regulate the banking industry.

### **Potential Financial Ramifications of Amending Motion 24A**

The removal of certain underwriters from the Qualified List may cause significant impact to the City's operations and financial resources. In addition, if this motion includes the underwriters' affiliates, the repercussions are magnified. Consistent with the CRO rules, we believe that to protect the financial interests of the City, restricting City business from a financial institution should be exempted when it causes significant financial loss or limits the City's ability to continue operations. We found that the banks described below fall into this exemption category. Below are the major financial implications this motion may have on the City.

#### **Impact on the City's Ability to Manage its Cash Flow Deficit (\$1.2 Billion Tax & Revenue Anticipation Notes)**

Every fiscal year, through the annual budget process, the City issues Tax & Revenue Anticipation Notes (TRAN) to alleviate cash flow needs that occur early in the fiscal year when certain taxes and revenues have not yet been received and to fully pay its retirement and pension annual contributions at the beginning of each fiscal year. A successful TRAN financing is vital to the City's ability to pay its bills so that the City can continue providing services to its residents. Due to the large size of the TRAN financing, the City needs to have underwriters on the team with significant underwriting capacity in the event that there are not sufficient investors to purchase the notes. The City should decrease or eliminate the risk of a failed transaction by hiring underwriters who have the capacity to serve as a "back-up" in case market conditions deteriorate.

We found that the current Qualified List of diverse underwriters allows the City the flexibility to form underwriting teams to best fit the City's needs and policy goals. It is not in the best interest of the City to remove any underwriters from the Qualified List as it will limit the City's options and flexibility. The majority of the underwriters on the Qualified List that are considered "large" firms have affiliated banks that Council has concerns with their social banking practices. These "large" firms are the underwriters that generally have the financial capital to support the City's TRAN. However, the underwriters are separate entities from those banks that share the same names.

#### **Impact on the City's Commercial Paper Programs and Variable Rate Debt Obligations**

The City has two commercial paper programs (CP Programs) and variable rate debt obligations (VRDOs) that are supported by several credit facilities. A credit facility is an instrument that provides credit (liquidity) enhancement and is typically provided by commercial banks. Types of credit facilities are bond insurance, letters of credit (LOCs), lines of credit, state school guarantees and credit programs of federal or state governments. These CP Programs give the City tremendous flexibility in financing its capital projects, including quicker implementation and reduced borrowing costs. It is often used as interim financing until a project is completed to take advantage of lower interest rates.

Since CP and VRDOs are short-term obligations ranging from one to 270 days, the City's liquidity position is an important factor for investors and rating agencies in assessing the City's ability to pay its short-term obligations. To reduce the risk to the investors and maintain high credit ratings, the CP Programs and the VRDOs are supported by credit facilities that provide additional liquidity. In the event that the City is unable to pay its CP notes or VRDOs upon maturity, the credit facilities will be utilized to make the payment. These credit facilities represent a bank's promise to pay principal and interest when due for a defined period of time and subject to certain conditions.

The Mayor and Council approved the \$300 million Municipal Improvement Corporation of Los Angeles (MICLA) CP Program for the purpose of financing the acquisition and improvements of various capital assets, including equipment and real property, to be used by the City for various municipal purposes. The MICLA CP Program is supported by three LOCs from Bank of the West, J.P. Morgan Chase Bank, N.A. (J.P. Morgan Chase), and Wells Fargo Bank, N.A. (Wells Fargo).

The City has authorized a commercial paper program for the Los Angeles Wastewater System (LAWW CP Program) as a cost-effective, short-term financing tool for the System's capital program. The LAWW CP Program currently has \$300 million in credit facilities with three banks: Wells Fargo, State Street Bank and Trust, and California State Teachers' Retirement System.

The Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2008 A-H are VRDOs currently totaling approximately \$446 million. VRDOs operate in a manner similar to the CP Program in that the interest rates reset periodically and the bonds are supported by credit facilities, currently provided by J.P. Morgan Chase and Bank of America, N.A. (BofA).

Amending Motion 24A could potentially put the City's CP Programs and VRDOs at risk because J.P. Morgan Chase, Wells Fargo and BofA are subject to the intent of this motion. The financial repercussions are immense if Council instructs the CAO to stop doing business with these banks. The City could pay as much as \$27.8 million in termination fees and replacement costs for the MICLA CP Program. Similarly, the City could pay as much as \$37 million in replacement costs for the LAWW CP Program and VRDOs.

Replacing the current LOCs will be extremely difficult as many banks reserve their credit for existing clients and fewer banks are providing credit in this difficult financial climate. For example, in the last MICLA LOC transaction, the City sent Requests for Indication to 28 banks, including local banks, but only received two responses. Local banks did not respond to the City's Requests for Indication.

In a more recent LOC survey of banks, local banks were offering LOCs at rates that were nine times higher than standard market rates. Hence, the City is likely to incur higher LOC costs from new banks that the City has no banking relationships with, notwithstanding whether the City is even able to obtain new LOCs. Typically, local banks do not have the capacity to offer sizable LOCs that is needed by the City to support these debt programs.

Furthermore, if the City is unsuccessful in replacing the credit facilities, the City will not have a cost effective financing mechanism to continue financing its capital needs. Without sufficient credit facility



providers, the City will also need to refinance the entire outstanding CP notes and VRDOs into long-term debt. Based on current market conditions, the CP refinancing will result in additional General Fund debt service costs of approximately \$14.9 million annually over 30 years. In addition, the VRDOs refinancing will result in additional debt service costs of approximately \$25.2 million annually over 30 years.

#### Impact on City Capital Projects, Operations and Programs

The outcome of Amending Motion 24A may impact certain high priority capital projects such as the Convention Center Renovation and Downtown Event Center Project and the Sixth Street Viaduct Seismic Improvement Project (SSVIP). Similar to the TRAN financing, the Convention Center Renovation and Downtown Event Center Project has unique characteristics that the City will need the flexibility in choosing the best underwriting team for the bond financings. Limiting the City's ability to choose underwriters may increase overall borrowing costs. The attached table shows a list of construction projects that are fully or partially financed by MICLA CP (Attachment D). These projects may be jeopardized if the MICLA CP Program is reduced in size or eliminated.

For example, SSVIP's financing plan includes the use of the MICLA CP Program to cash flow its financing needs. SSVIP anticipates borrowing approximately \$98.4 million over seven years. The MICLA CP Program will be fully reimbursed, including interest costs and costs of issuance, from funds by the Federal Highway Bridge Program and the State Proposition 1B Local Seismic Retrofit Account. Since the SSVIP is 98 percent funded by federal and state programs on a reimbursement basis, the MICLA CP financing is a critical component to the SSVIP's financial plan for cash flow project expenditure needs. If SSVIP does not have access to the MICLA CP Program, the project will be delayed in moving forward and the federal and state funding (\$395.5 million) will likely be transferred to other municipalities that have projects that are ready to use the funding. The only other financing option for SSVIP is to issue long-term bonds; however this method will result in higher interest costs and will take approximately three months to complete. At this point, due to timing issues relating to the City's submittal of required financing plan approvals to the grantors, SSVIP's only viable financing mechanism is the MICLA CP Program. Lastly, the delay or cancellation of this project is a public safety concern as it has been determined that the Sixth Street Bridge has a 70 percent probability of failure in a major earthquake.

CDD and Housing manage affordable housing and economic development projects/programs that require the support of financial institutions. CDD and Housing also need the flexibility to work with underwriters to get the best financing deal for the City. Housing currently has 11 pending affordable housing development projects that include tax-exempt bonds as a significant source of financing. Housing regularly works with the "large" firms for their bond financings as well as their other housing loan programs. For example, Housing's New Generation Fund is an \$85 million loan fund that has investment capital contributed from a number of financial institutions that may be affected by the implications of the Amending Motion 24A. Additionally, Housing is currently in negotiations with Citibank, N.A. for a \$50 million low interest loan pool to provide energy efficient loans to multi-family building owners as part of a larger greening effort. Please see the attached memorandums by CDD (Attachment E) and Housing (Attachment F) addressing their concerns.

Though the proprietary departments are not Council controlled, the outcome of Amending Motion 24A and the RBO may have major implications on how they do business with financial institutions. They may be indirectly subjected to the effects of Amending Motion 24A and the RBO as Council does have an opportunity to override a board decision pursuant to Charter Section 245. In accordance with Charter Section 245, "if Council timely asserts jurisdiction over the action, the Council may, by two-thirds vote, veto the action of the board within 21 calendar days of voting to bring the matter before it."

Over the years, the City has developed specific interfaces with the commercial banks that provide banking services to the City. If departments were instructed to stop doing business with banks that currently provide banking services to the City, the Information Technology Agency (ITA) would need to make significant changes to the City's financial systems such as the Financial Management System (FMS), Supply Management System (SMS), Payroll System Replacement (PaySR), LATAX (City's Business Tax Registration Certificate System), and the Grand Central Disbursement System. These interface changes may cost the City from approximately \$1 million to \$3 million.

#### Decrease of Competition among Underwriters

Competition in business is known as two or more parties acting independently to secure the business of a third party by offering the most favorable terms and rates. The diversity of the Qualified List fosters competition among the underwriters when they compete for the various City bond financings. The Qualified List creates an environment where competition will result in the City obtaining the best available terms and rates. Removing underwriters from the Qualified List may demonstrate to the remaining underwriters that the City has fewer options. As competition decreases, higher rates and fees become more likely.

#### Opportunity Loss of Financing Ideas

As a way to obtain more City business and distinguish themselves from their peers, underwriters from time to time introduce financing ideas for the City to consider. These ideas may generate savings to the City. In certain circumstances, there are financing ideas that can only be offered by the large firms therefore, size does matter. For example, due to its large capital capacity, the large firms on the 2011 TRAN underwriting team was able to offer the City an attractive TRAN structure that allowed the City to receive the lowest rates in the City's TRAN history.

After reviewing the financial ramifications associated with Amending Motion 24A, the CAO recommends to exclude any firm from the Qualified List for underwriting, remarketing, investment banking and other related services for the City bond programs (the "Qualified List") (C.F. 10-1763) that is determined to be "non-responsible" pursuant to the Contractor Responsibility Ordinance (CRO). In general, the City can restrict doing business with an entity, subject to the established City contracting rules and regulations.

#### Commercial Banking vs. Investment Banking

As a result of the Great Crash of 1929, the Glass-Steagall Act of 1933 (also known as the Banking

Act of 1933) was passed which, among other things, created the FDIC and prohibited commercial banks from collaborating with full-service brokerage firms or participate in investment banking activities. In 1999, legislation was passed to repeal a provision in the Glass-Steagall Act that restricted affiliations between commercial banks and investment banks. Consequently, the distinction between commercial banks and investment banks has been blurred. As shown in Attachment G, the Qualified List consists of 14 firms that only provide investment banking services and eight firms that provide underwriting services plus have affiliates that provide other commercial banking services. Nevertheless, the banking industry is still spilt into two fundamental divisions: commercial banking and investment banking.

Essentially, a commercial bank accepts cash deposits for checking and savings accounts from consumers and then uses those cash deposits to make loans (e.g. home mortgages, modification loans, and small business loans) to individuals and small businesses. Commercial banks generate profits by paying depositors a lower interest rate than they charge on their loans. The City also utilizes commercial banks for financial products and activities such as credit facilities (e.g. letters of credit), cash management and treasury services (includes wire transfer of funds and investment and disbursement services of funds), trustee services, custodial services, and securities lending services.

An investment bank is different because it does not take in cash deposits. Investment banks facilitate the buying and selling of stocks, bonds and other securities. In connection with the City's bond programs, investment banks are typically known as underwriters. An underwriter helps the City to sell bonds in the primary market as the SEC requires that only those registered can sell municipal bonds. The key role an underwriter plays in a bond financing is to purchase the bonds from the City and then resell the bonds to investors. Unlike a commercial bank, an investment bank does not have a steady stream of cash deposits so investment banks charge an upfront fee, known as the underwriter's discount, based on a small percentage of the bond size. The underwriter's discount is always contingent upon a successful closing of the transaction. In other words, underwriters are only paid if the City successfully sells the bonds and subsequently receives the bond proceeds.

Commercial banks are highly regulated by federal agencies such as the FDIC and the FRS. Since commercial banks are federally insured to protect customers' accounts, their risk tolerance is very low as they have an implied fiduciary duty to act in the best interest of their customers. Investment banks, on the other hand, are regulated by the SEC and have fewer regulations than commercial banks therefore, their risk tolerance is much higher which allows greater strategic decision-making.

We recommend that the Council to consider each entity separately when determining the City's business involvement with that entity. In other words, the City should evaluate underwriters (investment banks) based on information pertaining to their underwriting services only. Any commercial banking services such as credit facilities provided by their affiliates should be evaluated separately.

### **What is a "wrongdoing"?**

Currently, the Defendants in the City's Municipal Derivatives Lawsuit have only been alleged of financial wrongdoing. Allegations alone are not confirmation that a financial institution has committed

wrongdoing. Therefore, wrongdoing is determined when clear and convincing evidence of applicable final convictions in any criminal courts or applicable final judgments in any civil courts. Settlements where the entity neither admitted nor denied any guilt shall not be treated as "wrongdoing". We recommend this definition of "wrongdoing".

### **Contracting Guidelines - Contractor Responsibility Ordinance**

As a market participant, the City can restrict doing business with an entity, subject to established City contracting rules and regulations. These rules and regulations are incorporated in the City's Contractor Responsibility Ordinance (CRO) (C.F. 98-0202).

In 2000, the Mayor and Council adopted the CRO that requires a determination that prospective contractors are responsible and capable of fully performing the work before the City awards a contract. Subsequently, in 2001, the Mayor and Council adopted a set of Rules and Regulations for Implementation of the CRO (Attachment H). As part of the competitive bid process, prospective contractors are required to complete the Responsibility Questionnaire. Responsibility will be determined from areas such as financial resources and responsibility, performance history, business integrity and compliance with local, state and federal laws.

Pursuant to the CRO, before the City declares an entity as being non-responsible and after consultation with the City Attorney, a bidder or contractor shall be notified of the proposed determination of non-responsibility, served with a summary of the information, and provided with an opportunity for a hearing. The bidder or contractor has the right to a hearing within 10 working days of the date of the notice of the proposed determination of non-responsibility.

If a bidder or contractor is determined and declared to be non-responsible, the bidder or contractor will be debarred from doing business with the City for a period of five years. After two years from debarment, the non-responsible individual or entity may request removal from debarment. The individual or entity must prove that it has the necessary quality, fitness, and capacity to perform work in accordance with the criteria mentioned above.

If allegations of violations of the CRO are reported, the City is responsible for investigating the alleged violations. When an investigation is completed, the City may do the following: 1) if the investigation occurred prior to award of contract, use the results from the investigation as part of its determination of a bidder's responsibility; and 2) if the investigation occurred after contract award and violations were found, request the contractor to take corrective actions and if the contractor fails to complete the corrective actions, the City may terminate the contract and/or initiate a hearing to declare the contractor as non-responsible.

To protect the City's interests, certain contracts are exempted from the application of the CRO. These contracts are categorically exempted: 1) contracts with a governmental entity, 2) contracts for the investment of trust moneys or agreements relating to the management of trust assets, 3) banking contracts entered into by the Treasurer pursuant to California Government Code Section 53630 et seq. In addition, the following contracts may be exempted subject to the approval of the Designated Administrative Agency: 1) contracts awarded on the basis of exigent circumstances whenever the

City finds that it would suffer a financial loss or that City operations would be adversely impacted, and 2) contracts awarded on the basis of urgent necessity in accordance with Charter Section 371(e) (5), (6), (7), and (8).

### **Federal and State Regulatory Agencies for Banks and Underwriters**

Overall, the goal of these federal and state banking regulatory agencies is to create transparency between the banks and the investors, businesses, and customers with whom they do business. Their main objectives are: 1) to protect depositors; 2) to avoid misuse of banks; 3) to safeguard banking privacy; and 4) to protect allocation of credit.

In particular, investment banks (underwriters) are regulated by the United States Securities and Exchange Commission (SEC), the Municipal Securities Rulemaking Board (MSRB) and the Financial Industry Regulatory Authority (FINRA). The SEC is an enforcement agency that can bring civil actions in federal court or before an administrative law judge. The SEC works closely with law enforcement agencies in the United States and around the world to bring criminal cases when appropriate. Common violations that may lead to SEC investigations are misrepresentation or omission of important disclosure information about securities, manipulating the market prices of securities, violating broker-dealers' responsibility to treat customers fairly, stealing customers' funds or securities, insider trading, and selling unregistered securities. The MSRB has no enforcement authority; however it works closely with the SEC to provide enforcement support by conducting inspections, research, market surveillance and gathering analytical and statistical data. Lastly, FINRA is an independent regulator for all securities firms doing business in the United States. Every firm and broker that sells securities in the United States must be licensed and registered by FINRA. FINRA can impose fines on its registered members for violations of FINRA rules and federal securities laws; however FINRA does not have enforcement powers to sue its members for unpaid fines.

As mentioned earlier in this report, commercial banks are highly regulated by the Federal Reserve System (FRS), Federal Deposit Insurance Corporation (FDIC), Office of the Comptroller of the Currency (OCC) and the State of California Department of Financial Institutions. Overall, their enforcement efforts are designed to correct deficiencies and to ensure compliance to the federal and state banking regulations and laws. In addition, these regulators can approve and deny banks from opening new charters and branches, mergers and acquisitions, and any changes in the bank's corporate and banking structure. They also have the enforcement authority to remove officers and board directors from their banking roles.

Attachment I provides a summary of the major federal and state regulatory agencies, including their mission, objectives, organizational structure, responsibilities and enforcement authority.

### **Background on the Municipal Derivatives Lawsuit**

In 2008, the City filed, through the Law Offices of Cotchett, Pitre & McCarthy (the "Outside Counsel"), a complaint in the Superior Court for the County of Los Angeles, California, in which the City alleges that certain financial firms (the "Defendants") conspired to decrease the returns that public entities

earned on their investments. Due to similar cases on the federal level, the federal courts have ordered a "stay" on the City's lawsuit. A "stay" is an act of temporarily stopping a judicial proceeding through a court order. To date, Goldman Sachs Bank USA, Goldman Sachs Group, Inc., and Goldman Sachs Mitsu Marine Derivative Products, L.P. and Robobank Group were dismissed from the City's municipal derivatives lawsuit.

As shown in Attachment J, six of the 22 underwriters on the Qualified List have affiliates who are Defendants in the above mentioned litigation. Outside Counsel has advised that the City could continue to do business with the Defendants' affiliates relating to bond financings because the divisions or associated entities of the Defendants' organizations that might have been involved in any alleged wrongdoing are separate from the divisions of the organizations that perform investment banking functions. The City Attorney concurs with this advice.

### **Background on the Qualified List for Underwriting, Remarketing, Investment Banking and Other Related Services**

On October 11, 2011, the Mayor and City Council approved the City's Qualified List which consists of 22 underwriters ranging from small to large firms including Minority-owned Business Enterprises and Women-owned Business Enterprises (MBE/WBE) as shown in Attachment K. In addition, the majority of these underwriters have local offices in the City. The Qualified List has five pools by financing type: 1) Long-term Debt, 2) Short-term Debt (Tax & Revenue Anticipation Notes), 3) Remarketing Agents for Variable Rate Debt Obligations and Commercial Paper, 4) Land Secured Assessment Financings, and 5) unique financings such as Public/Private Partnerships and Pension Obligation Bonds. Though on an individual basis, all the firms are deemed qualified, the CAO goes through a Request for Information process, to determine the best combination of underwriters for future bond financings.

In the past three years, the City has formed the qualified underwriting teams for its bond financings to obtain the best available rates while meeting its policy goals relating to MBE/WBE/DBE participation and supporting local business growth. From July 2008 to June 2011, the City has completed 23 bond transactions (see Attachment L). These transactions consisted of four competitive sales and 19 negotiated sales. Of the 19 negotiated sales, eight transactions were senior managed by the large firms and 11 transactions were senior managed by the small to medium firms. The City has received positive feedback from its underwriters, indicating that our efforts have had a positive impact in their staffing levels in Los Angeles and have increased their participation level with other municipalities and governmental agencies. In addition, three underwriters have opened local offices and one firm has opened an office in California to demonstrate their commitment to Los Angeles and California.

### **Selection Process relating to the Qualified List**

On October 11, 2011, Council rejected the CAO's recommendation to authorize the CAO to execute and negotiate contracts with the firms on the Qualified List. We recommend Council to reconsider this action. According to a publication (see Attachment A) from the Government Finance Officers Association (GFOA),

*".... the GFOA vigorously supports the use of an open, merit-based process for the selection of underwriters for those bond issues that are not sold by the competitive bid process."*

Therefore, to eliminate/reduce the appearance of a non-merit based selection process and to promote a fair competitive environment, the CAO requests the authority to negotiate and execute contracts with any of the firms listed on the Qualified List, over a period of three years with the option to extend the Qualified List for two additional one-year extensions.

MAS:HTT:DM:09120092

# **ATTACHMENT A**

## **Government Finance Officers Association Public Policy Statement for Tax-Exempt Financing and the Municipal Bond Market**

### **Selection of Municipal Finance Professionals**

**Dated June 7, 1994**



## **GFOA Public Policy Statements - Tax-Exempt Financing and the Municipal Bond Market**

### **Selection of Municipal Finance Professionals**

The selection of investment bankers, bond lawyers and other finance professionals should be merit-based, and not influenced by political contributions. Finance officers are concerned about any improper linkage, whether perceived or actual, between political contributions and the selection of municipal finance professionals. Even the appearance of such linkages erodes the confidence of the taxpayers and ratepayers of involved state and local governments.

In response to recent assertions of questionable practices in the municipal securities market, the Government Finance Officers Association (GFOA) supports municipal securities market reforms that are narrowly directed to specific abuses and are developed on a consensual basis by all affected market participants. To facilitate this process, the Securities and Exchange Commission (SEC) should make the results of its investigations into market practices available in order to better identify and substantiate the nature and extent of market problems.

Furthermore, the GFOA vigorously supports the use of an open, merit-based process for the selection of underwriters for those bond issues that are not sold by the competitive-bid process. Similarly, other municipal finance professionals also should be selected on merit.

The current proposal developed by the Municipal Securities Rulemaking Board (MSRB) relating to political contributions and prohibitions on municipal securities business (MSRB Rule G-37) addresses this concern in the wrong way by effectively banning legitimate political contributions. The proposed Rule presents numerous other problems, such as

- the erroneous assumption that any linkage between a political contribution and the selection of underwriters is primarily an investor protection issue, rather than a taxpayer, ratepayer or voter concern;
- the implication that a political contribution is in and of itself improper, regardless of the amount or frequency of such contributions;
- the overly broad application of the Rule, which covers most contributions, regardless of size and type, and even those that would clearly not influence the selection process;
- the way in which the Rule disadvantages small, regional, and women- and minority-owned firms;
- the way in which the Rule disadvantages incumbent state and local officials running for a federal office;
- the fact that the Rule only applies to broker/dealers and not to other municipal finance professionals; and
- the possible violation of individuals' constitutional rights to participate in the political process and our system of democracy.

GFOA believes that the reporting of campaign contributions is one of the most effective ways to deal with perceived or actual improper linkages between campaign contributions and the awarding of municipal securities business. Furthermore, GFOA believes that the reporting of contributions made to elected officials and candidates for public office is best regulated at the state and local levels of government, but recognizes that improvements may be needed to ensure that sufficient information is conveniently available on a timely basis.

GFOA does not support the suggestion that political contributions should be reported through issuers' official statements, because this erroneously treats the problem as an investor-protection issue. If the municipal market regulatory agencies determine that new campaign contribution reporting requirements are necessary, then the burden of disclosing such contributions should be on the contributors, and the information collected should be made available through a central repository.

In the absence of any crisis of confidence in the market, GFOA urges the SEC to hold in abeyance proposed Rule G-37 to ban dealers from making contributions to certain officials, and to work with all market participants to propose workable and equitable reforms in the reporting of political contributions.

Adopted: June 7, 1994

## **ATTACHMENT B**

**Chart Showing the Major US Cities that have Adopted or Recently  
Proposed Implementing a Social Investment Policy**

**Major US Cities that have Adopted or Recently Proposed Implementing a Social Investment Policy**

	<b>RBO/Social Investment Policy</b>	<b>Collects local information</b>	<b>Developed a local scoring methodology</b>	<b>Commercial or Investment Banking</b>	<b>Use Federal CRA Score</b>	<b>Considers additional criteria</b>
<b>Boston</b>	Yes	Yes	No	Commercial Banking Only	Yes	Boston requires that banks disclose lending information, including number of loans and total dollar amount, percentage of applicants denied for loans, residential loans, the institution's participation in local community development projects, financing of low and middle income housing, availability of banking services, the hiring of women, minorities and Boston residents, and deposit information including the total number of savings and checking accounts and total dollar balances in those accounts. Banks must also pledge to abstain from discriminatory loaning practices.
<b>Chicago</b>	Yes	No	No	Commercial Banking Only	Yes	Chicago considers a bank's participation in the local Abandoned Property Ordinance. Chicago also requires that banks sign a CRA pledge committing to the federal CRA program
<b>Cleveland</b>	Yes	Yes	Yes	Commercial Banking Only	Yes	Cleveland considers a bank's participation in the federal Home Mortgage Disclosure Act (HMDA) program. Banks bidding as a depository must submit an application of their Residential Lending Information (home loans), Commercial Lending Information (business loans), financial report (SEC 10K report), participation and plans to reinvest in the community, branching policies and a "Community Reinvestment Initiative". Depositories carrying City monies must continue to submit this report annually.
<b>Los Angeles*</b>	In Progress	Proposed	Not Proposed	Commercial and Investment Banking	Yes	It is recommended that the City consider a bank's participation in (1) housing programs administered by the City, and (2) the total number and value of small business loans
<b>Philadelphia</b>	Yes	Yes	No	Commercial Banking Only	Yes	
<b>New York *</b>	Under consideration	Under consideration	Under consideration	Commercial Banking Only	Yes	
<b>San Francisco*</b>	Under consideration	Under consideration	Under consideration	Commercial Banking Only	Under consideration	
<b>San Jose</b>	Yes	No	No	Commercial Banking Only	Yes	San Jose considers a bank's participation in the Home Affordable Modification Program
<b>San Diego</b>	Yes (as part of the City's standard Request for Proposal)	Yes	No	Commercial Banking Only	Yes	San Diego requires that banks submit information on their community investments, their CRA performance evaluation, Home Affordable Modification Program data, and a list of bank branches within located within the City. Banks must also provide a semi-annual report on their community reinvestment efforts.
<b>Long Beach</b>	Yes (as part of the City's standard Request for Proposal)	Yes	No	Commercial Banking Only	Yes	Long Beach is considering adding a dedicated bank officer position to collaborate with banks and private/public entities that need financing and credit. Banks must submit an annual "report card" of their commitments to public/private partnerships in the City of Long Beach. Banks must also submit their CRA scores.

\* Three cities including Los Angeles, New York and San Francisco are currently discussing the adoption of a social investment policy. At this point there may not be sufficient information available to address all categories.

## **ATTACHMENT C**

### **Lending Information Request Form**

## Attachment 1

### LENDING INFORMATION

#### Section A – General Qualifications, Question 9

Firms selected to serve in any of the pools must provide information relating to their retail banking, residential, commercial, or community development lending by completing this attachment in its entirety, prior to award of any contract with the City. **Any lending information submitted will be used for informational purposes only and will not be included in the evaluation criteria.**

Please select one of the following:

- ☐ Will not be able to submit the requested lending information. Please explain.
- ☐ Will submit lending information by answering the questions below, no later than 60 days after City Council approves the selected firms.
- ☐ Will submit lending information with the Statement of Qualifications. Please answer the following questions below:

1. Residential Lending Information. Please provide the total number and total amount of residential loans, in the last 12 months, in the following categories by individual zip codes for the entire City of Los Angeles (Indicate whether the loans were adjustable rate or fixed-rate loans):

- a. Home purchase loans:
  - i. Conventional loans
  - ii. Affordable loans (such as those insured under Title II of the Housing Act of 1949 or insured through the California Housing Finance Agency);
- b. Refinancing of home purchase loans;
- c. Home improvement loans;
- d. Home equity loans;
- e. Multi-family loans;
- f. Non-occupant loans;
- g. Modifications of distressed loans;
  - i. Number of modifications that included reduction of principal; and
- h. Foreclosed (REO) properties owned by financial institution or its parents or subsidiaries.

2. Small Business Lending Information. Please provide the total number and dollar amount of small business loans and commercial loans applied for and originated in the last 12 months. Please provide the information by individual zip codes for the entire City of Los Angeles. Please indicate the number of loans to small businesses with revenues above \$1 million and the number of loans to small businesses with revenues below \$1 million.
3. Community Development Loans and Investments. Please provide the total number and dollar amount of community development loans and investments in the last 12 months, such as loans and investments for affordable housing rehabilitation or construction, loans to Community Development Financial Institutions, or loans to finance community facilities in low or moderate income areas. Please provide the information by individual zip codes for the entire City of Los Angeles.
4. Consumer Loans and Lines of Credit. Please provide the total number and total dollar amount of consumer loans and other lines of credit in the last 12 months, including the minimum, median and maximum nominal and effective interest rates applied to residents of the City of Los Angeles.
5. Branches and Deposits. Please provide the number of branches, Automatic Teller Machines (ATMs), and the dollar amount of deposits for residents as of December 31, 2010. Please provide the information by individual zip codes for the entire City of Los Angeles. Please indicate (if any) how many physical branches located within the City of Los Angeles limits were closed in the past 12 months, including the reasons for closing the branch(es).
6. Please provide your firm's most recent annual SEC 10-K Report.
7. Please provide your firm's most recent "Community Reinvestment Act Evaluation" reports issued by the state and federal regulatory agencies authorized to conduct such evaluations.

## **ATTACHMENT D**

**List of Municipal Facilities Projects Financed by the  
Municipal Improvement Corporation of Los Angeles (MICLA)**



SUMMARY - STATUS OF MUNICIPAL FACILITIES PROJECTS						
CD	PROJECT	STATUS	Total Project Cost	MICLA Portion	Estimated Completion Date	Percent Complete
14	6th Street Viaduct Seismic Improvement Project *	Active	401,000,000	98,500,000	June 2018	1%
Var	Alternative Fuels Infrastructure Program	Active	98,700,000	57,000,000	June 2015	70%
1, 14	El Pueblo Capital Program	Active	30,980,000	20,900,000	June 2015	75%
9	Figueroa Plaza - Tenant Improvements **	Active	5,400,000	5,400,000	June 2012	N/A
9	Figueroa Plaza Capital Improvements	Active	15,000,000	15,000,000	June 2015	70%
4	Living Amphibians, Invertebrates and Reptiles Exhibit	Active	14,116,400	4,702,300	December 2011	80%
4	Mt. Lee Communications Electrical Upgrade Project	Active	2,400,000	2,400,000	January 2013	5%
14	Neighborhood City Hall CD - 14	Active	21,500,000	2,000,000	December 2012	50%
9	Police Administration Building Project - Aiso Parking Structure	Active	22,000,000	16,225,000	December 2011	99%
9	Public Works Building - Restacking	Active	3,000,000	400,000	June 2012	80%
4	Rainforest of the Americas	Active	21,713,900	2,502,981	March 2013	80%
13	Vine Street Parking	Active	15,000,000	15,000,000	July 2012	51%
	<b>SUBTOTAL</b>		<b>650,810,300</b>	<b>240,030,281</b>		
15	109th Street Pool and Bathhouse Replacement	Deferred	6,292,700			
9	BOSS Southeast Yard	Deferred	13,107,000			
11	BOSS Thatcher Yard	Deferred	6,767,000			
1	BOSS Urban Forestry Division Relocation	Deferred	10,000,000	-		
14	Costello Pool and Bathhouse Replacement	Deferred	6,606,521			
1	DOT Central Yard	Deferred	40,000,000			
1	Lincoln Pool and Bathhouse Replacement	Deferred	7,302,816			
1	Neighborhood City Hall - CD 1	Deferred	9,000,000	-		
10	Neighborhood City Hall - CD 10	Deferred	20,000,000	-		
	<b>TOTAL</b>		<b>119,076,037</b>			
* MICLA portion will be used solely for cashflow. All MICLA funds will be reimbursed.						
** This will be an on-going incremental restacking through 2022.						

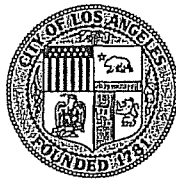
## **ATTACHMENT E**

**Letter from the Community Development Department**

**Dated November 10, 2011**

# CITY OF LOS ANGELES

CALIFORNIA



## INDUSTRIAL DEVELOPMENT AUTHORITY

6TH FLOOR  
1200 W. 7TH STREET  
LOS ANGELES, CA 90017  
(213) 744-7111  
(213) 744-9382 FAX  
<http://ida.lacity.org>

## COMMUNITY DEVELOPMENT DEPARTMENT

1200 W. 7TH STREET  
LOS ANGELES, CA 90017

ANTONIO R. VILLARAIGOSA  
MAYOR

November 10, 2011

Honorable Mayor Antonio Villaraigosa  
Honorable Council Members  
200 N. Spring Street,  
City of Los Angeles, CA 90012

Re: Status of the MICLA Commercial Paper Program  
CAO Report No. 0220-02221-8960  
Council File No. 10-1763-S2

Honorable Mayor and Council Members,

The Community Development Department (CDD) administers the Industrial Development Authority (IDA) for issuance of conduit private-activity tax-exempt revenue bond program. On October 17, 2011, the above captioned report was presented to the City Council's Budget and Finance Committee (Committee). We therefore did not have adequate time to prepare or present our opposition to the Committee. This IDA Board understands, as it was reported in the national publication The BondBuyer on October 25, 2011, that the City's Chief Administrative Officer (CAO) will be presenting another report to the Committee on November 21, 2011, to be followed by full Council hearing on November 22, 2011.

The IDA has not been involved in the Amending Motion – Item #24 (CF 10-1763-S2) dated October 11, 2011 which is the subject of the CAO report. The Amending Motion outlines the Security Exchange Commission's 4-year investigation into widespread corruption by major banks, including some on the proposed qualified list to underwrite, remarket, provide investment banking and other related services to the City. The Motion, introduced by Councilmembers Alarcon and Rosendahl, requested the Council to exclude from the qualified list for City bond programs any financial institution that the City believes to have committed financial wrongdoing (bid rigging, illegal quid-pro-quo with bond rating agencies, or criminal conspiracy or fraud in swapping deals) within the last five years.

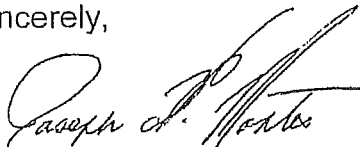
The CAO report No. 0220-02221-8960 highlighted the status of Municipal Improvement Corporation of Los Angeles (MICLA) Commercial Paper program, and cited the City's outstanding lawsuit since 2008 against 35 financial institutions. The report outlined challenges and additional refinancing costs to the City's MICLA program, e.g. \$27.8

million for termination fees and Letter of Credit replacement costs, and an annual debt service cost of \$14.9 million over 30 years. Based on the CAO's assumption that not doing business with certain financial institutions not only affects the CAO's programs, but also affordable housing and economic development bond financings managed by LAHD and CDD respectively, the CAO included in its recommendations to City Council that all future bond financing, including affordable housing and economic development, be suspended until the City has resolved its policy deliberations over financial institutions.

The IDA finds the CAO's recommendation an unwarranted interference with our conduit private bond issuance program, exacerbating the adverse condition of an already challenging environment. The cost of issuance, any associated financing costs, and the debt service cost of these private activity conduit issuances are borne by the borrowers. The City merely serves as the conduit issuer via its municipal status. Private activity conduit bonds for economic development activities do not impact the City's General Fund in any manner.

We are therefore respectfully requesting that the City Council and Mayor strike from the CAO report No. 0220-02221-8960 Recommendation No. 3 that otherwise would cause the suspension of all future conduit economic development bond issuances.

Sincerely,



JOSEPH F. MONTES, Chair  
Industrial Development Authority

cc: Richard L. Benbow, General Manager - CDD  
Robert Sainz, Assistant General Manager – CDD  
Ninoos Y. Benjamin, Director, Economic Development Division – CDD  
May M. Smith, Manager of IDA - CDD

# **ATTACHMENT F**

**Letter from the Housing Department**

**Dated October 21, 2011**

## INTER-DEPARTMENTAL MEMORANDUM

TO: MIGUEL A. SANTANA, CITY ADMINISTRATIVE OFFICER  
CITY ADMINISTRATIVE OFFICE

FROM: DOUGLAS GUTHRIE, GENERAL MANAGER *Doug Guthrie*  
LOS ANGELES HOUSING DEPARTMENT

DATE: OCTOBER 21, 2011

REGARDING: LAHD RESPONSE TO CAO REPORT ENTITLED "STATUS OF THE MUNICIPAL IMPROVEMENT CORPORATION  
OF LOS ANGELES COMMERCIAL PAPER PROGRAM"

In your October 17, 2011 report on the status of the City's Municipal Improvement Corporation of Los Angeles (MICLA) Commercial Paper Program, a number of impacts were identified and three recommendations made pertaining to the City's current and future partnerships with financial institutions. In response to your report, the Los Angeles Housing Department (LAHD) would like to take this opportunity to comment on CAO recommendation number three, specifically to identify the significant, negative impacts to the development of affordable housing in the City of Los Angeles were such a recommendation to be approved.

The LAHD opposes CAO recommendation number three, which would suspend "all future bond financing including affordable housing and economic development, until the City has resolved its policy deliberations over financial institutions." While we are aware of and understand the ongoing dialogue in Council regarding the City's ongoing relationship with financial institutions, we do not want an ongoing policy discussion to compromise the development of much needed affordable housing development in the City.

If these actions were to be put into place it would have immediate and severe consequences for the affordable housing community in Los Angeles. The LAHD currently has 11 affordable housing developments in the pipeline that include tax exempt bond issues as a significant source of financing. These 11 projects would utilize \$140 million in tax exempt bond financing, resulting in 788 affordable housing units, nearly 2,000 jobs, and a total development cost of \$223 million. Many of these projects have been years in the making and are scheduled to close in the coming weeks. Also, three of these projects include significant funding under the Neighborhood Stabilization Program. These funds are ARRA funds that are on strict timelines and must be spent within a limited period of time. These three projects include the restoration of the historic Dunbar Hotel in CD 9, the renovation of the long vacant Linda Vista Hospital in CD 14, and a 123 unit rehabilitation of a foreclosed building in the Chinatown neighborhood in CD 1. All three of these projects are scheduled to close within the next three months. If closings are halted or delayed, we will be in non-compliance with HUD program timelines, jeopardizing the entire NSP program.

The implications of this ordinance are significant for LAHD. Besides bond financing programs we are active with the banking community on many fronts. The New Generation Fund is an \$85 million loan fund that has investment capital contributed from a number of the affected banks. We are beginning negotiations with the banks to rollover program investments in this fund for an additional three years. We are in negotiations with Citibank on a \$50 million low interest loan pool to provide energy efficiency loans to multi-family building owners as part of a larger greening effort we are working on with DWP and others. We have received an allocation of \$5

million in funds under the Hardest Hit Funds program and will need to partner with banks on a loan modification program targeted to neighborhoods hardest hit by foreclosures.

Attached is a current list of specific bond financed developments that would be affected by the CAO recommendation.

I will call you to discuss this matter further or you can feel free to call me if you have any questions at (213) 808-8808. Thank you.

Attachment

cc: Matt Karatz  
Gaye Williams  
Rushmore Cervantes  
Helmi Hisserich

## LAHD Tax-exempt Bond Projects

10.18.2011

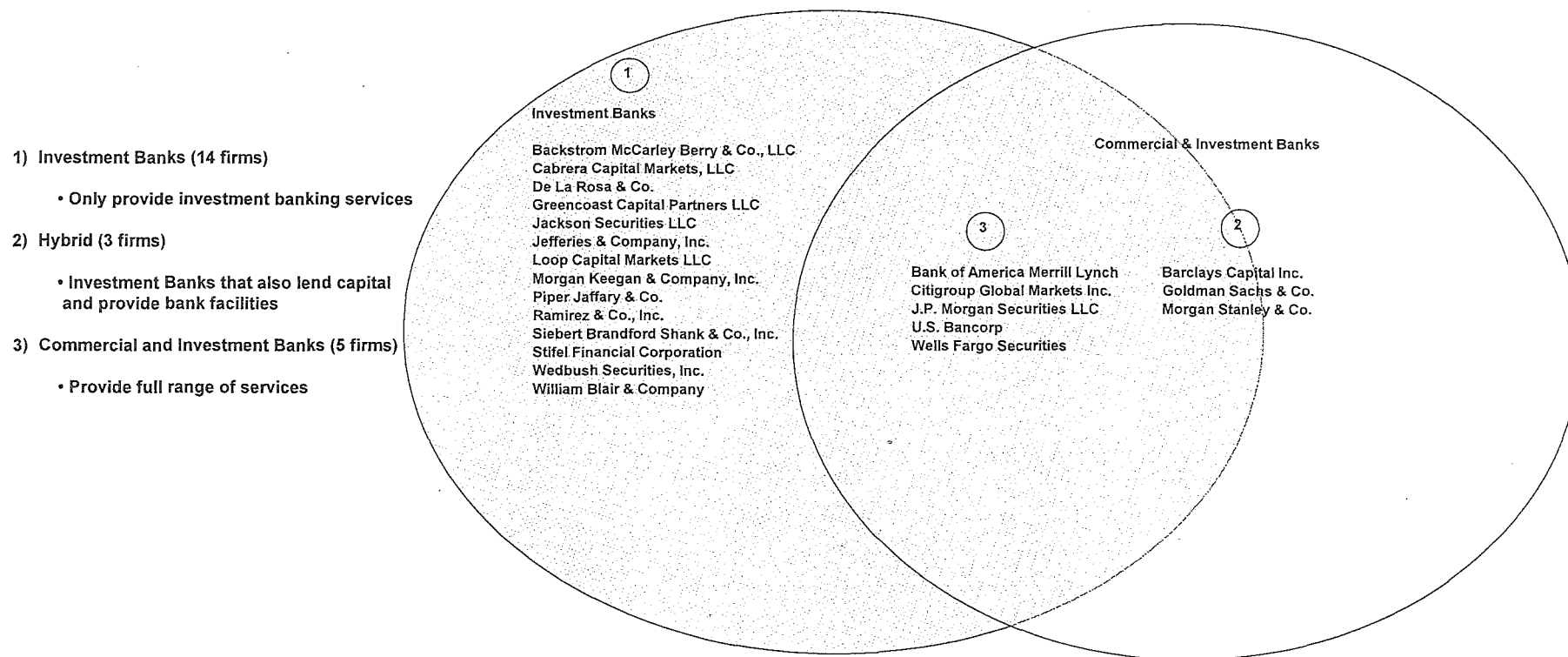
Project Name	CD	Units	Jobs	Bond Amount	TDC	Bond Issue Deadline	Lender
Projects with CDLAC allocation							
Dunbar (NSP)	9	81	215	15,025,000	28,787,870	27-Dec	Union
Chinatown (NSP)	1	123	322	23,000,000	41,696,604	27-Dec	Bank of America
Samoa	2	64	151	13,000,000	18,170,546	16-Nov	Nara Bank
<b>Total</b>		<b>268</b>	<b>688</b>	<b>\$51,025,000</b>	<b>88,655,020</b>		
Projects pending CDLAC allocation (CDLAC application submitted)							
Broadway (NSP)	8	48	109	7,479,629	13,452,553	pending	Citibank
Linda Vista (NSP)	14	23	218	5,288,149	9,650,085	pending	US Bank
Oakridge	7	60	102	7,000,000	12,528,585	pending	Wells Fargo
Taylor Yard	1	68	205	11,000,000	21,213,789	pending	Citibank
Vineland	4	82	165	17,625,055	21,964,605	pending	Union Bank
<b>Total</b>		<b>281</b>	<b>799</b>	<b>48,392,833</b>	<b>78,809,617</b>		
<b>Grand Total</b>			<b>1,487</b>	<b>\$99,417,833</b>	<b>\$167,464,637</b>		
Pipeline projects (Induced/ TEFRA completed)			est.				
Panorama City Apts	7	43	100	10,250,000	14,000,000	TBD	TBD
Silver Lake	4	88	150	15,000,000	18,000,000	TBD	TBD
Vista Angelina	1	108	200	14,700,000	23,500,000	TBD	TBD
		239	450	39,950,000	55,500,000		
<b>Total</b>		<b>788</b>	<b>1,937</b>	<b>139,367,833</b>	<b>222,964,637</b>		



## **ATTACHMENT G**

**Financial Services provided by the List of Underwriters on Qualified List**

## Financial Services provided by the Underwriters on the Qualified List and their Affiliates



# **ATTACHMENT H**

## **Rules and Regulations Implementing the Contractor Responsibility Ordinance**

**CITY OF LOS ANGELES**

**RULES AND REGULATIONS**

**IMPLEMENTING**

**THE CONTRACTOR RESPONSIBILITY ORDINANCE**

**RULES AND REGULATIONS IMPLEMENTING  
THE CONTRACTOR RESPONSIBILITY ORDINANCE**

A.	DEFINITIONS .....	1
B.	SUBMISSION OF QUESTIONNAIRES .....	2
C.	DEPARTMENTAL REVIEW OF SUBMITTED QUESTIONNAIRES .....	3
D.	AWARD AND EXECUTION OF CONTRACTS.....	5
E.	AMENDMENTS .....	6
F.	CONTRACTOR NOTIFICATION OF INVESTIGATIONS AND UPDATE OF INFORMATION .....	7
H.	INVESTIGATION .....	8
I.	VIOLATIONS OF THE CRO OR RULES AND REGULATIONS.....	9
J.	NON-RESPONSIBILITY HEARING .....	10
K.	DEBARMENT .....	11
L.	EXEMPTIONS .....	12
M.	EFFECTIVE DATE OF RULES AND REGULATIONS.....	13

## RULES AND REGULATIONS IMPLEMENTING THE CONTRACTOR RESPONSIBILITY ORDINANCE

These Rules and Regulations are promulgated pursuant to Section 10.40.5 of the Los Angeles Administrative Code, the Contractor Responsibility Ordinance (CRO). Each Awarding Authority shall cooperate to the fullest extent with the Designated Administrative Agencies (DAA) in the administration of the CRO. The DAA may amend these Rules and Regulations from time to time as required for the implementation of the CRO.

### A. DEFINITIONS

1. **Adoption of CRO definitions:** For purposes of these Rules and Regulations, the definitions set forth in LAAC Section 10.40.1 are incorporated herein by reference, and include the following:

- a. **Awarding Authority**

- b. **Bid**

- c. **Bidder**

- d. **City Financial Assistance Recipient (CFAR)**

- e. **Contract:**

- (1) Service contracts are covered by the CRO if the contract is for \$25,000 or more, and the term of the contract is 3 months or more.

- (2) Purchase contracts are covered by the CRO if the contract is for \$100,000 or more. Contracts for the purchase of garments are covered by the CRO if they are for \$25,000 or more.

- (3) Construction contracts are covered by the CRO regardless of amount.

- f. **Contractor**

- g. **Designated Administrative Agency (DAA)** For purposes of these Rules and Regulations, the Designated Administrative Agencies are as follows:

- (1) Construction contracts: Department of Public Works

- (2) Service contracts: Office of Administrative and Research Services

- (3) Procurement contracts: Department of General Services

- h. **Invitation for Bid (IFB)**

- i. **Public Lease or License**

- j. **Subcontractor**

### 2. New definitions

- a. **"Questionnaire"** means the set of questions developed by the DAA that will assist the City in determining a bidder or contractor's responsibility. Information solicited from the Questionnaire may include but is not limited to: management expertise, technical qualifications, experience, organization, material, equipment and facilities to perform the work, financial resources, satisfactory performance of other contracts, satisfactory record of compliance with relevant laws and regulations, and satisfactory record of business integrity. The DAA may amend the Questionnaire from time to time.

## RULES AND REGULATIONS IMPLEMENTING THE CONTRACTOR RESPONSIBILITY ORDINANCE

- b. **"Pledge of Compliance"** means the Pledge developed by the DAA and may be updated from time to time. The Pledge shall require contractors to sign under penalty of perjury that the contractor will:
- (1) Comply with all applicable federal, state, and local laws and regulations in the performance of the contract, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws which affect employees
  - (2) Notify Awarding Authorities within 30 calendar days after receiving notification that any government agency has initiated an investigation that may result in a finding that the contractor did not comply with subparagraph (1) above in the performance of the contract.
  - (3) Notify Awarding Authorities within 30 calendar days of all findings by a government agency or court of competent jurisdiction that the contractor has violated subparagraph (1) above in the performance of the contract.
  - (4) Ensure that subcontractors working on the City contract submit the Pledge to Awarding Authorities.
  - (5) Ensure that subcontractors working on the City contract abide by the requirements of the Pledge and the requirement to notify Awarding Authorities within 30 calendar days that any government agency or court of competent jurisdiction has initiated an investigation or has found that the subcontractor has violated subparagraph (1) above in the performance of the contract.

### B. SUBMISSION OF QUESTIONNAIRES

1. **Awarding Authority Issuance of Invitation for Bids (IFB):** Unless otherwise exempt from the CRO, if a proposed contract meets the definition of a contract subject to the CRO as defined in the Ordinance and these Rules and Regulations, the Awarding Authority shall include in the IFB:
  - a. Language informing potential bidders of the CRO.
  - b. The Questionnaire that bidders submit with their bid.
2. **Submission of Questionnaires with Bids:**
  - a. All bid submissions must contain a completed Questionnaire signed under penalty of perjury.
  - b. Failure to submit a Questionnaire in accordance with the IFB procedures shall make the bidder non-responsive and disqualified from the bid.
  - c. Submitted Questionnaires become public record, and information contained therein will be available for public review, except to the extent that such information is exempt from disclosure pursuant to applicable law.
3. **If no IFB used to procure the proposed contract:** If no IFB procedure is used to procure the proposed contract, the proposed contractor must submit the

## RULES AND REGULATIONS IMPLEMENTING THE CONTRACTOR RESPONSIBILITY ORDINANCE

Questionnaire to the Awarding Authority for posting on the internet for a period of 14 calendar days prior to execution of the contract.

#### **4. Submission of Questionnaires with Bids:**

- d. All bid submissions must contain a completed Questionnaire signed under penalty of perjury.
- e. Failure to submit a Questionnaire in accordance with the IFB procedures shall make the bidder non-responsive and disqualified from the bid.
- f. Submitted Questionnaires become public record, and information contained therein will be available for public review, except to the extent that such information is exempt from disclosure pursuant to applicable law.

- 5. Subcontractors:** The listing of subcontractors must be submitted with the bid and will be posted on the internet with the bidder's Questionnaire for public review. For construction contracts, bidders must list a subcontractor proposed to be used on the City contract if the subcontractor will be performing work on the construction contract in an amount in excess of \$10,000 or in excess of one-half of one percent of the total bid amount, whichever is greater. For service contracts, bidders must list subcontractors as required by the IFB.

### **C. DEPARTMENTAL REVIEW OF SUBMITTED QUESTIONNAIRES**

- 1. Departmental Review of submitted bids:** As part of the determination of a bidder's responsiveness, Awarding Authorities shall review the bid submissions to ensure that a completed Questionnaire, signed under penalty of perjury, has been included with the bid. If a completed Questionnaire has not been included with the bid as required by the IFB procedures, the bidder shall be deemed to be non-responsive and shall be disqualified from the bidding process.
- 2. Posting of Questionnaires and Subcontractor Listing:** Awarding Authorities shall forward to the DAA the Questionnaires and subcontractor listings, if any, submitted by the responsive bidders for posting as follows:
  - a. If a contract is to be awarded pursuant to a competitive bid process, the Questionnaires for the three lowest responsive bidders and their listing of proposed subcontractors, if any, shall be forwarded to the DAA for posting on the City internet for a period of 14 calendar days for public review.
  - b. If a contract is to be awarded pursuant to a request for proposals or qualifications and award is not based on the lowest submitted bid price, the Questionnaires for the short-listed proposers and their listing of proposed subcontractors, if any, shall be forwarded to the DAA for posting on the City internet for a period of 14 calendar days for public review. If no short-listing procedure is used, the Questionnaire for the prospective contractor shall be posted for 14 calendar days.



## RULES AND REGULATIONS IMPLEMENTING THE CONTRACTOR RESPONSIBILITY ORDINANCE

- c. No contract may be awarded to any bidder until at least 14 calendar days after the Questionnaire has been posted for public review. If administrative or technical errors prevent or delay the posting of the Questionnaire, the internet posting period will be extended by the amount of time that the Questionnaire was not available for public review.
- d. The Questionnaire of the bidder/proposer awarded the contract shall be retained by the Awarding Authority as part of the contract file. The Questionnaires for the bidders/proposers not awarded the contract should be retained in the customary manner by the Awarding Authority.
- e. The DAA may delegate responsibility for posting of the Questionnaires to the respective Awarding Authorities.

### **3. Claims Resulting from Public Posting**

- a. Claims regarding a bidder or contractor's responsibility should be submitted to the DAA in writing. However, the DAA may investigate a claim regarding a bidder's or a contractor's responsibility, whether or not it is submitted in writing, if the DAA in its discretion determines that the claim calls into question the bidder's or the contractor's responsibility.
- b. If the DAA receives information which calls into question a bidder's responsibility, and the information was received before the contract has been executed, the DAA shall:
  - (1) Notify the Awarding Authority in writing that no contract may be awarded until the DAA has completed investigation into the matter.
  - (2) Investigate the complaint to determine its validity.
  - (3) Upon completion of the investigation, the DAA shall notify the Awarding Authority of the result of the investigation.
  - (4) No contract may be awarded to any bidder until after the investigation has been completed and the Awarding Authority has received written notification that investigation has been completed.
  - (5) Findings from the investigation received by the Awarding Authority will be considered by the Awarding Authority as part of the determination of the bidder's responsibility.
- c. If the DAA receives written information that calls into question a contractor's responsibility, and the information was received after the contract has been executed, the DAA shall investigate the matter as required in Section H.

**RULES AND REGULATIONS IMPLEMENTING  
THE CONTRACTOR RESPONSIBILITY ORDINANCE**

**D. AWARD AND EXECUTION OF CONTRACTS**

**1. Awarding Authority Determination of Responsibility and Award of Contract**

- a. Each Awarding Authority shall determine whether a bidder is a responsible bidder with the necessary quality, fitness and capacity to perform the work set forth in the proposed contract by considering the following:
  - (1) Information contained in the Questionnaire.
  - (2) Information provided by the DAA, including the results of any investigation conducted by the DAA.
  - (3) Information regarding the bidder's past performance that may be contained in the Contractor Evaluation Database.
  - (4) The Awarding Authority may also consider any other reliable information that may be available, including but not limited to information from any individual or any other governmental agency.
- b. An Awarding Authority may award and execute a contract with a bidder only if:
  - (1) the bidder's Questionnaire has been posted for public review for at least 14 calendar days unless otherwise exempted from the posting requirement by the CRO;
  - (2) the bidder is not being investigated by a DAA pursuant to the CRO;
  - (3) the bidder has not been found to be a non-responsible bidder pursuant to the CRO;
  - (4) the bidder does not appear on any City list of debarred bidders or contractors; and
  - (5) the bidder has met all other applicable City requirements.

**2. Submission of Pledge of Compliance**

- a. Within 14 calendar days of receiving notice that it has been awarded the contract, the bidder shall submit to the Awarding Authority the Pledge of Compliance with the CRO. No contract may be executed with the bidder until the bidder has submitted the Pledge of Compliance.
- b. Within 30 calendar days of execution of a contract, the contractor shall submit to the Awarding Authority a Pledge of Compliance from each subcontractor who has been listed as performing work on the contract.

**3. Subcontractor Responsibility**

- a. Contractors shall ensure that their subcontractors meet the criteria for responsibility set forth in the CRO and these Rules and Regulations unless the subcontract is not subject to the CRO.

## **RULES AND REGULATIONS IMPLEMENTING THE CONTRACTOR RESPONSIBILITY ORDINANCE**

- (1) Contractors may not use any subcontractor that has been determined or found to be a non-responsible contractor by the City.
  - (2) Subject to approval by the Awarding Authority, contractors may substitute a non-responsible subcontractor with another subcontractor with no changes in bid amounts.
- b. Contractors shall submit to the Awarding Authority a Pledge of Compliance for each subcontractor listed by the contractor as performing work on the City contract within 30 calendar days of execution of the contract.
- (1) If the Awarding Authority in its discretion determines that contractors should submit the Pledge of Compliance from each subcontractor within a shorter time period than the 30 calendar days after execution of the contract, the Awarding Authority shall notify the contractor of the shorter time period. In such cases, contractors must comply with the shorter time requirement, and failure to do so may be considered a violation of these Rules and Regulations.

### **4. Execution of Contracts**

- a. Unless exempt under Section 10.40.4 of the CRO, all contracts must contain language obligating the contractor to comply with the CRO.
- b. No contract may be executed until the proposed contractor has submitted a Pledge of Compliance with the CRO, and language obligating the contractor to comply with the CRO has been incorporated into the final contract.

### **E. AMENDMENTS**

1. Compliance with the CRO is required in contract amendments if the initial contract was not subject to the CRO, but the total term and amount of the contract, inclusive of all amendments, would make the contract subject to the CRO.
  - a. A contractor subject to the CRO because of an amendment shall submit a Pledge of Compliance to the Awarding Authority before the contract amendment can be executed.
  - b. Unless exempt under Section 10.40.4 of the CRO, all contract amendments must contain contract language obligating the contractor to comply with the CRO.

**RULES AND REGULATIONS IMPLEMENTING  
THE CONTRACTOR RESPONSIBILITY ORDINANCE**

**F. CONTRACTOR NOTIFICATION OF INVESTIGATIONS AND UPDATE OF INFORMATION**

**1. Notification of Investigations:** Contractors shall:

- a. Notify Awarding Authorities within 30 calendar days after receiving notification that any government agency has initiated an investigation that may result in a finding that the contractor did not comply with any applicable federal, state, or local law in the performance of the City contract, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws which affect employees.
- b. Notify Awarding Authorities within 30 calendar days of receiving notice of any findings by a government agency or court of competent jurisdiction that the contractor violated any applicable federal, state, or local law in the performance of the City contract, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws which affect employees.
- c. Notify Awarding Authorities within 30 calendar days of becoming aware of any information regarding its subcontractors and investigations or findings regarding the subcontractor's violations of any applicable federal, state, or local law in the performance of the City contract, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws which affect employees.

**2. Update of Information:**

- a. Updates of information contained in the contractor's responses to the Questionnaire must be submitted to the Awarding Authority within 30 days of any changes to the responses if the change would affect the contractor's fitness and ability to continue performing the contract.
- b. The DAA and Awarding Authority shall determine whether a contractor in a specific situation should have provided information or updated information.
  - (1) If the Awarding Authority or DAA becomes aware of new information concerning a contractor and determines that the contractor should have provided information or updated the Awarding Authority of such information, but the contractor has not done so, the DAA shall issue a written notice to the contractor requiring the contractor to submit the required information within 10 calendar days.
- c. Failure to provide updated information when required by the CRO or these Rules and regulations may be considered a material breach of the contract, and the City may invoke remedies set forth in the Section 10.40.6 of the CRO.

## RULES AND REGULATIONS IMPLEMENTING THE CONTRACTOR RESPONSIBILITY ORDINANCE

- d. The requirement that a contractor update the Questionnaire does not apply to contractors not subject to the CRO (such as those contractors working on emergency contracts exempt from the CRO), or to contractors who became subject to the CRO solely because of an amendment to the original contract.
- 3. Contractors shall ensure that subcontractors provide information and updates.** Contractors shall ensure that subcontractors who perform work on the City contract abide by these same updating requirements, including the requirement to:
- a. Notify Awarding Authorities within 30 calendar days after receiving notification that any government agency has initiated an investigation which may result in a finding that the subcontractor did not comply with any applicable federal, state, or local law in the performance of the City contract, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws which affect employees
  - b. Notify Awarding Authorities within 30 calendar days of all findings by a government agency or court of competent jurisdiction that the subcontractor violated any applicable federal, state, or local law in the performance of the City contract, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws which affect employees.
- 4. Questionnaires and Updates of Questionnaire Responses Not Applicable to Subcontractors:** The requirement that contractors provide Questionnaires and updates to the Questionnaire responses does not apply to subcontractors.

### H. INVESTIGATION

- 1. Reporting of Alleged Violations:** Allegations of violations of the CRO or these Rules and Regulations shall be reported to the DAA. Whether based on a complaint or otherwise, the DAA shall be responsible for investigating such alleged violations.
- 2. Process:**
  - a. Upon receipt of a complaint or upon initiation of an investigation, the DAA shall notify the Awarding Authority and the bidder or contractor that an investigation has been initiated.
  - b. The contractor shall cooperate fully with the DAA in providing information. A contractor's failure to cooperate may be deemed a material breach of the contract, and the City may pursue all available remedies.

## **RULES AND REGULATIONS IMPLEMENTING THE CONTRACTOR RESPONSIBILITY ORDINANCE**

- c. To the extent permissible, the DAA shall maintain the identity of the complainant, if any, confidential.
- d. Upon completion of the investigation, the DAA shall prepare a written report of the findings and notify the Awarding Authority and the contractor of the results.

### **3. Results of investigation:**

- a. When an investigation is completed before the contract is awarded, the DAA shall notify the Awarding Authority of the results, and the Awarding Authority shall consider the information as part of the determination of a bidder's responsibility during the bid/proposal review process.
- b. When an investigation is completed after the execution of a contract:
  - (1) If violations of the CRO are found, the DAA shall notify the contractor of the violation and require the contractor to make corrections or take reasonable measures within 10 calendar days.
  - (2) If the contractor fails to make corrections as required, the DAA shall notify the Awarding Authority and may recommend that the Awarding Authority:
    - (i) Terminate the contract.
    - (ii) Initiate a hearing to declare the contractor a non-responsible contractor.

## **I. VIOLATIONS OF THE CRO OR RULES AND REGULATIONS**

- 1. Violations of the CRO or of these Rules and Regulations may be considered a material breach of the City contract and may entitle the City to terminate the contract.
- 2. Alleged violations shall be reported to the DAA which will investigate all such complaints.
- 3. When a violation is found, the DAA shall notify the contractor and the Awarding Authority of the violation. The DAA shall require the contractor to correct the violation within 10 calendar days. Failure to correct violations or take reasonable measures to correct violations within 10 calendar days may result in the DAA:
  - a. Recommending that the Awarding Authority declare a material breach of the contract and that the Awarding Authority exercise all contractual and legal remedies available, including but not limited to termination of the contract.
  - b. Recommending that the Awarding Authority declare the contractor a non-responsible contractor by initiating, within 30 calendar days or as soon as

## **RULES AND REGULATIONS IMPLEMENTING THE CONTRACTOR RESPONSIBILITY ORDINANCE**

practicable, a non-responsibility hearing in accordance with Section 10.40.2 of the CRO and these Rules and Regulations.

### **J. NON-RESPONSIBILITY HEARING**

1. The process of declaring a bidder or contractor a non-responsible bidder or contractor shall be initiated by the Awarding Authority after consultation with the City Attorney's Office.
2. Before a bidder or contractor may be declared non-responsible, the bidder or contractor shall be notified of the proposed determination of non-responsibility and provided with an opportunity for a hearing.
  - a. If the bidder or contractor fails to exercise the right to a hearing within 10 working days of the date of the notice of the proposed determination of non-responsibility, the bidder or contractor shall be deemed to waive the right to a hearing. The Awarding Authority may proceed to declare the bidder or contractor a non-responsible bidder or contractor without a hearing.
3. Each Awarding Authority shall establish a procedure for the non-responsibility hearing which, at minimum, must include the following:
  - a. The bidder or contractor shall be provided with written notice that the Awarding Authority intends to declare the bidder or contractor a non-responsible bidder or contractor.
  - b. The notice shall provide the bidder or contractor with the following information:
    - (1) That the Awarding Authority intends to declare the bidder or contractor a non-responsible bidder or contractor.
    - (2) A summary of the information upon which the Awarding Authority is relying upon.
    - (3) That the bidder or contractor has a right to respond to the information by requesting a hearing to rebut adverse information and to present evidence of the necessary quality, fitness and capacity to perform the work required under the contract or for future contracts as specified in Section K.
    - (4) That the bidder or contractor must exercise the right to a hearing by submitting a written request for a hearing within 10 working days of the date of the notice.
    - (5) That failure to submit a written request for hearing shall be considered a waiver of the right to a hearing that allows the Awarding Authority to proceed with the determination of non-responsibility.
  - c. If the bidder or contractor submits a written request for a hearing, the hearing may be held by the head of the Awarding Department or his/her designee for

## **RULES AND REGULATIONS IMPLEMENTING THE CONTRACTOR RESPONSIBILITY ORDINANCE**

recommendation to the head of the Awarding Department, who shall make the final decision.

- d. The hearing must allow the bidder or contractor an opportunity to address the issues contained in the notice of intent to declare the bidder or contractor non-responsible.
- e. The Awarding Authority may determine that the bidder or contractor:
  - (1) Does not possess the necessary quality, fitness, or capacity to perform work on City contracts, should be declared a non-responsible bidder or contractor, and should be debarred for the contract and future contracts as specified in Section K.
  - (2) Should not be declared a non-responsible bidder or contractor.
- f. The Awarding Authority's determination shall be final and constitute exhaustion of administrative remedies.
- g. The Awarding Authority's final decision shall be in writing and shall be provided to the contractor and to the DAA. If the bidder or contractor is declared to be non-responsible, a copy of the final decision shall also be provided to the OARS for inclusion in the consolidated list of non-responsible contractors, as specified in Section K.

### **K. DEBARMENT**

- 1. Upon final determination of a bidder or contractor's responsibility or non-responsibility, the Awarding Authority shall provide the DAA with a written notice of the Awarding Authority's findings and determinations.
- 2. The DAA shall maintain a listing of bidders and contractors who have been debarred by the City pursuant to the CRO. The OARS shall maintain a consolidated listing of all debarred bidders and City contractors and shall post such listing on the City internet.
- 3. A bidder or contractor debarred by the Awarding Authority may not be awarded any contract with any Awarding Authority in the City. The City-wide debarment is effective for a period of five years from the date of the City's notice that a bidder or contractor has been debarred.
  - a. A bidder or contractor debarred from doing business with the City may not perform any work on any City agreement, whether as a prime contractor, a subcontractor, a partner in a partnership, a participant in a joint venture, a member of a consortium or in any other capacity.



## RULES AND REGULATIONS IMPLEMENTING THE CONTRACTOR RESPONSIBILITY ORDINANCE

- b. After two years from the date a bidder or contractor has been debarred from doing business with the City, the bidder or contractor may request to be removed from the list of debarred bidders and contractors and may be allowed to contract with the City prior to the end of the five year debarment period if the bidder or contractor proves that it has corrected the problems which led to the debarment and is a responsible bidder or contractor. The request shall be submitted to the Awarding Authority.
- c. If a bidder or contractor requests to be removed from the list of debarred bidders and contractors prior to the five year period, the Awarding Authority which determined the bidder or contractor non-responsible shall provide the bidder or contractor with written notice of its decision on whether to lift the debarment. A copy of that decision shall be provided to the DAA and to the OARS.
- d. Unless otherwise removed from the list of debarred bidders and contractors by the debarring Awarding Authority, debarred bidders and contractors shall remain on the list for five years from the date of being debarred.

### L. EXEMPTIONS

1. **Categorical Exemption:** The following types of contracts are categorically exempt from the CRO and these Rules and Regulations:
  - a. Contracts with a governmental entity such as the United States of America, the State of California, a county, city or public agency of such entities, or a public or quasi-public corporation located therein and declared by law to have such status.
  - b. Contracts for the investment of trust moneys or agreements relating to the management of trust assets.
  - c. Banking contracts entered into by the Treasurer pursuant to California Government Code Section 53630 et seq.
2. **Exemptions from Questionnaire Requiring DAA Approval and/or Certification:** The following types of contracts are exempt from the requirement to submit a Questionnaire but remain subject to the requirement that the contractor submit a Pledge of Compliance and notify the Awarding Authority within 30 days of any information regarding investigations or the results of investigations by any governmental agency into the contractor's compliance with applicable laws.

## **RULES AND REGULATIONS IMPLEMENTING THE CONTRACTOR RESPONSIBILITY ORDINANCE**

- a. Contracts awarded on the basis of exigent circumstances when any Awarding Authority finds the City would suffer a financial loss or that City operations would be adversely impacted.
  - (1) This exemption is subject to approval by the DAA.
  - (2) The Awarding Authority shall submit a request to the DAA for waiver along with written certification that the required conditions exist.
  - (3) No contract may be exempted under this provision unless the DAA has granted written approval of the waiver.
- b. Contracts where the goods or services are proprietary or available from only one source.
  - (1) This exemption is subject to approval by the DAA.
  - (2) The Awarding Authority shall submit a request to the DAA for waiver along with written certification that the required conditions exist.
  - (3) No contract may be exempted under this provision unless the DAA has granted written approval of the waiver.
- c. Contracts awarded in accordance with Charter Section 371(e)(5). The Awarding Authority must certify in writing that award is based on urgent necessity in accordance with Charter Section 371(e)(5).
- d. Contracts entered into based on Charter Section 371(e)(6), (7) or (8). The Awarding Authority must certify in writing that the contract is entered into in accordance with Charter Section 371(e)(6), (7) or (8).

### **M. EFFECTIVE DATE OF RULES AND REGULATIONS**

- 1. These Rules and Regulations take effect after adoption by Council.
- 2. Contracts entered into after these Rules and Regulations are adopted by Council are subject to the CRO and these Rules and Regulations unless the contract is awarded pursuant to a Bid that was issued prior to their adoption.
- 3. Contracts amended after these Rules and Regulations are adopted will become subject to CRO and these Rules and Regulations if they meet definitions contained in these Rules and Regulations.

# **ATTACHMENT I**

## **Summary of the Major Federal and State Regulatory Agencies**

	U.S. Securities and Exchange Commission (SEC)	Municipal Securities Rulemaking Board (MSRB)	Financial Industry Regulatory Authority (FINRA)	Federal Deposit Insurance Corporation (FDIC)
Mission and Objectives:	-To protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. In addition, the SEC is also concerned with promoting the disclosure of important market related information, maintaining fair dealing, and protecting against fraud.	- To protect investors and the public interest by promoting a fair and efficient municipal securities market. -To protect state and local government issuers, public pension funds and others whose credit stands behind municipal bonds.	- To protect America's investors by making sure the securities industry operates fairly and honestly.	- To maintain stability and public confidence in the nation's financial system.
Regulates the following:	- Broker dealers, investment advisors, securities exchanges, corporations, commercial banks, and depository institutions.	- Broker dealers, commercial banks, municipal advisors, and any other type of securities firm and/or bank that underwrites, trades and sells municipal securities.	- Broker dealers	- Commercial banks, depository institutions, and thrift institutions.
Governing body and Organizational Structure:	- Managed by a five-person Board of Directors with staggered five year-terms, all of whom are appointed by the President, with the advice and consent of the Senate, with no more than three being from the same political party. -SEC consists of five divisions and 18 offices with a staff of 3,500.	- The Board consists of 21 members who are knowledgeable of matters related to the municipal securities markets: a) Eleven individuals are "public representatives" who are independent of any municipal securities broker, municipal securities dealer, or municipal advisor; 2) Ten individuals are "regulated representatives" associated with a broker, dealer, municipal securities dealer, or municipal advisor. - Board members are nominated and elected.	- Largest independent regulator for all securities firms doing business in the U.S. -Managed by a Board of Directors, some whom are privately appointed, and some whom are elected by FINRA. - Employs approximately 3,000 people and operates from Washington DC and New York, NY with 20 regional offices around the country.	- Managed by a five-person Board of Directors, all of whom are appointed by the President and confirmed by the Senate, with no more than three being from the same political party. - Employs more than 7,000 people. Headquartered in Washington DC but conducts most of its business in six regional offices, three temporary satellite offices and field offices around the country.
Regulated by:	- Governmental organization that acts as a self-regulatory organization (SRO).	- The SEC has general oversight of the MSRB. The SEC reviews and approves MSRB's proposed rules and new interpretations of rules to ensure consistency with the requirements of the Exchange Act.	- Private corporation/non-governmental organization that acts as a SRO.	- Governmental organization that acts as a SRO.
Responsibilities and Duties:	-Primary overseer and regulator of the U.S. securities markets. -It is the responsibility of the SEC to: 1) Interpret federal securities laws, 2) issue new rules and amend existing rules, 3) oversee the inspection of securities firms, brokers, investment advisers, and rating agencies, 4) oversee private regulatory organizations in the securities, accounting, and auditing fields; and 5) coordinate U.S. securities regulation with federal, state, and foreign authorities.	- MSRB creates rules designed to prevent fraud and manipulation in the market. MSRB publishes interpretive notices and letters to provide guidance. -MSRB requires municipal professionals to demonstrate their qualifications through registration, examinations and continuing education. - Collects and disseminates market information, and operates the Electronic Municipal Market Access website to promote transparency and widespread access to information. -Facilitates market surveillance, inspection and enforcement of MSRB rules by providing enforcement agencies with collected market information and analytical and statistical data.	- FINRA's role includes registering and educating industry participants, examining firms, implementing rules, and enforcing them alongside the federal securities laws.	- Preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least \$250,000; by identifying, monitoring and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank of thrift institution fails. -Examines and supervises more than 4,900 banks and savings banks for operational safety and soundness. Examines banks for compliance with consumer protection laws, including the Fair Credit Billing Act, the Fair Credit Reporting Act, the Truth-in-Lending Act, and the Fair Debt Collection Practices Act. - Examines banks for compliance with the Community Reinvestment Act which requires banks to help meet the credit needs of the communities they were chartered to serve. - The back-up supervisor for the insured banks and thrift institutions.
Enforcement Abilities:	SEC is a law enforcement agency. SEC may bring civil actions in federal court or before an administrative law judge. SEC works closely with law enforcement agencies in the U.S. and around the world to bring criminal cases when appropriate. Common violations that may lead to SEC investigations include: 1) misrepresentation or omission of important information about securities; 2) manipulating the market prices of securities; 3) violating broker-dealers' responsibility to treat customers fairly; 4) stealing customers' funds or securities, 5) insider trading (violating a trust relationship by trading on material, non-public information about a security); and 6) selling unregistered securities.	The MSRB does not have enforcement authority. The MSRB coordinates closely with the SEC and other enforcement agencies to support their enforcement efforts.	- FINRA can impose fines for violations however, the United States Court of Appeal for the Second Circuit found that FINRA lacked the power to sue for unpaid fines.	- The FDIC has broad enforcement powers to issue formal enforcement actions. FDIC may issue informal and formal actions when an insured depository institution is found to be in an unsatisfactory condition. Informal actions represent the final supervisory step before formal enforcement proceedings are initiated. Informal actions are voluntary commitments made by the financial institution. They are designed to correct identified deficiencies and ensure compliance with federal and state banking laws and regulations (e.g. Board Resolutions and Memorandums of Understanding). Formal enforcement actions are those taken pursuant to the powers granted to the FDIC under Section 8 of the Federal Deposit Insurance Act (e.g. Termination of Insurance, Cease-and-Desist Order, Removal and Prohibition Order, Suspension Order, and Civil Money Penalties).

	Federal Reserve System (FRS)	Office of the Comptroller of the Currency (OCC)	State of California Department of Financial Institutions (DFI)
Mission and Objectives:	<ul style="list-style-type: none"> <li>- Founded by Congress in 1913 to provide the nation with a safer, more flexible, and more stable monetary and financial system.</li> </ul>	<ul style="list-style-type: none"> <li>- OCC primary mission is to charter, regulate, and supervise all national banks and federal savings associations.</li> <li>- To ensure banks and federal savings associations operate in a safe and sound manner and in compliance with laws requiring fair treatment of their customers and fair access to credit and financial products.</li> <li>- To foster competition by allowing banks to offer new products and services.</li> <li>- To improve the efficiency and effectiveness of OCC supervision, including reducing regulatory burden.</li> </ul>	<ul style="list-style-type: none"> <li>- State agency to protect and serve California's citizens through the effective regulation and supervision of financial institutions licensed by DFI.</li> <li>- Oversees the secure operation of California's state-chartered financial institutions.</li> <li>- DFI ensures public confidence in financial institutions by protecting the interests of depositors, borrowers, shareholders and consumers through enforcement of state laws.</li> </ul>
Regulates the following:	<ul style="list-style-type: none"> <li>- Commercial banks, depository institutions, and thrift institutions.</li> </ul>	<ul style="list-style-type: none"> <li>- Commercial banks, depository institutions, and thrift institutions.</li> </ul>	<ul style="list-style-type: none"> <li>- Commercial banks, credit unions, industrial banks, trust companies, offices of foreign banks, money transmitters, issuers of travelers checks and payment instruments/money orders, and premium finance companies.</li> </ul>
Governing body and Organizational Structure:	<ul style="list-style-type: none"> <li>- Managed by the Federal Reserve Board, chosen by the President and confirmed by Congress.</li> <li>- Consists of the Board, 12 Federal Reserve Banks, Federal Open Market Committee (FOMC) and advisory committees.</li> </ul>	<ul style="list-style-type: none"> <li>- Comptroller to head the agency for a five-year term, appointed by the President with the advice and consent of the Senate.</li> <li>- Headquartered in Washington DC and has four district offices.</li> </ul>	<ul style="list-style-type: none"> <li>- Headed by Commissioner William S. Haraf.</li> </ul>
Regulated by:	<ul style="list-style-type: none"> <li>- Governmental organization that acts as a SRO.</li> <li>- Is considered an independent central bank because its decisions do not have to be ratified by the President. However, the FRS is subject to oversight by the U.S. Congress.</li> </ul>	<ul style="list-style-type: none"> <li>- Governmental organization that acts as a SRO.</li> </ul>	<ul style="list-style-type: none"> <li>- Department of the State of California.</li> </ul>
Responsibilities and Duties:	<ul style="list-style-type: none"> <li>- Conducting the nation's monetary policy by influencing the monetary and credit conditions in the economy in the pursuit of maximum employment, stable prices, and moderate long-term interest rates.</li> <li>- Supervising and regulating banks to ensure the safety and soundness of the nation's banking and financial system and to protect the credit rights of consumers.</li> <li>- Maintaining the stability of the financial system and containing systematic risk that may arise in financial markets.</li> <li>- Providing financial services to depository institutions, the U.S. government, and foreign official institutions.</li> <li>- Operating the nation's payments system.</li> <li>- FOMC oversees open market operations, which is the main tool used by the Federal Reserve to influence overall monetary and credit conditions.</li> </ul>	<ul style="list-style-type: none"> <li>- Monitors national banks and federal savings associations within the U.S., as well as, the activities of national banks internationally.</li> <li>- Examiners analyze loan and investment portfolios, funds management, capital, earnings, liquidity, sensitivity to market risk for all national banks and federal thrifts, and compliance with consumer banking laws national banks and thrifts with less than \$10 billion in assets. Examiners review internal controls, internal and external audit, and compliance with the law. They also evaluate management's ability to identify and control risk.</li> <li>- Issue rules and regulations, legal interpretations, and corporate decisions governing investments, lending, and other practices.</li> </ul>	<ul style="list-style-type: none"> <li>- Responsible for administering state laws regulating: banks, credit unions, industrial banks, trust companies, offices of foreign banks, money transmitters, issuers of travelers checks and payment instruments/money orders, and premium finance companies.</li> </ul>
Enforcement Abilities:	<ul style="list-style-type: none"> <li>- FRS has broad range of enforcement powers. Generally, formal and informal enforcement actions are taken after a bank examination, but may also be taken when the FRS becomes aware of a problem that warrants immediate action and correction. The objective of formal action is to correct practices that the regulators believe to be unlawful, unsafe, or unsound. The tools used for formal actions are cease-and-desist orders and written agreements. FRS also imposes informal supervisory actions when circumstances are less severe. Tools used for informal actions are commitments, board resolutions, and memoranda of understanding.</li> </ul>	<ul style="list-style-type: none"> <li>- Approve or deny applications for new charters, branches, capital, or other changes in corporate or banking structure.</li> <li>- Take supervisory actions against national banks and federal thrifts that do not comply with laws and regulations or that otherwise engage in unsound practices.</li> <li>- Remove officers and directors, negotiate agreements to change banking practices, and issue cease and desist orders as well as civil money penalties.</li> </ul>	<ul style="list-style-type: none"> <li>- Enforce the State Financial Code and the regulations of the Commissioner of Financial Institutions.</li> </ul>

## **ATTACHMENT J**

**Qualified List for Underwriting, Remarketing, Investment Banking and  
Other Related Services for the City Bond Programs**

**and**

**Defendants of the Municipal Derivatives Lawsuit**

**(For Informational Purposes Only)**

**Defendants in Municipal Derivatives Lawsuit  
July 16, 2010 (Second Amended Complaint)**

- 1 Assured Guaranty US Holdings, Inc.
- 2 Bank of America, N.A.
- 3 Bayerische Landesbank Girozentrale
- 4 CDR Financial Products
- 5 Citibank, N.A.
- 6 Citigroup Financial Products Inc.
- 7 Citigroup Global Markets Holdings Inc.
- 8 Dexia S.A.
- 9 Financial Security Assurance, Inc.
- 10 First Southwest Company
- 11 George K. Baum & Co.
- 12 Investment Management Advisory Group, Inc.
- 13 J.P. Morgan Securities, Inc. (f/k/a Bear, Stearns & Co., Inc.)
- 14 JP Morgan Chase & Co. 18. MBIA, Inc.
- 15 Merrill Lynch & Co., Inc.
- 16 MBIA, INC.
- 17 Morgan Stanley
- 18 National Westminster Bank, Plc
- 19 Natixis Funding Corp.
- 20 Natixis S.A.
- 21 PFM Asset Management LLC
- 22 PFM Investment, LLC
- 23 Piper Jaffray & Co.
- 24 Societe Generale SA
- 25 Sound Capital Management, Inc.
- 26 UBS AG
- 27 UBS Financial Services, Inc.
- 28 UBS Securities, LLC
- 29 Wachovia Bank, N.A.
- 30 Wells Fargo & Company
- 31 Winters & Co. Advisors, LLC

**List of Underwriters CF 10-1763  
October 11, 2011**

- 1 Backstrom McCarley Berry & Co., LLC
- 2 **Bank of America Merrill Lynch**
- 3 Barclays Capital Inc
- 4 Cabrera Capitol Markets LLC
- 5 **Citigroup Global Markets Inc**
- 6 De La Rosa & Co., Inc.
- 7 Greencoast Capital Partners LLC
- 8 Goldman, Sachs & Co.
- 9 Jackson Securities LLC
- 10 Jefferies & Co.
- 11 **JP Morgan Chase & Co.**
- 12 Loop Capital Markets LLC
- 13 Morgan Keegan & Co.
- 14 **Morgan Stanley & Co.**
- 15 **Piper Jaffray & Co.**
- 16 Ramirez & Co.
- 17 Siebert Brandford Shank & Co., LLC
- 18 Stifel Financial Corporation
- 19 US Bancorp
- 20 Wedbush Morgan Securities Inc.
- 21 **Wells Fargo Securities**
- 22 William Blair & Co.

Note: Firms on the Qualified List that are in bold are also Defendants or their affiliates are Defendants in the Municipal Derivatives Lawsuit.

## **ATTACHMENT K**

**Qualified List for Underwriting, Remarketing, Investment Banking and  
Other Related Services for the City Bond Programs**

**(For Informational Purposes Only)**



**Qualified List for Underwriting, Remarketing, Investment Banking and Other Related Services for the City Bond Programs  
Council File No. 10-1763**

<b>POOL 1 - LONG-TERM</b>	<b>LBE</b>	<b>MBE</b>	<b>WBE</b>	<b>LRG</b>
Backstrom McCarley Berry & Co., LLC*	X	X		
Bank of America Merrill Lynch	X			X
Barclays Capital Inc.	X			X
Cabrera Capital Markets, LLC	X	X		
Citigroup Global Markets Inc.	X			X
De La Rosa & Co.**	X	X		
Goldman Sachs & Co.	X			X
Jackson Securities LLC	X	X		
Jefferies & Company, Inc.	X			
J.P. Morgan Securities LLC	X			X
Loop Capital Markets LLC	X	X		
Morgan Keegan & Company, Inc.	X			
Morgan Stanley & Co., Inc.	X			X
Siebert Brandford Shank & Co., Inc.*	X	X	X	
Stifel Financial Corporation	X			
Wedbush Securities, Inc.**	X			
Wells Fargo Securities*	X			X
William Blair & Company				

<b>POOL 2 - SHORT-TERM</b>	<b>LBE</b>	<b>MBE</b>	<b>WBE</b>	<b>LRG</b>
Backstrom McCarley Berry & Co., LLC*	X	X		
Bank of America Merrill Lynch	X			X
Citigroup Global Markets Inc.	X			X
De La Rosa & Co.**	X	X		
Goldman Sachs & Co.	X			X
J.P. Morgan Securities LLC	X			X
Loop Capital Markets LLC	X	X		
Morgan Stanley & Co., Inc.	X			X
Ramirez & Co., Inc.	X	X		
William Blair & Company				

**LEGEND**

LRG = Large Firm  
LBE = Local Business Enterprise  
MBE = Minority-owned Business Enterprise  
WBE = Women-owned Business Enterprise  
\* Headquartered in California  
\*\* Headquartered in Los Angeles, California

<b>POOL 3 - REMARKETING AGENTS</b>	<b>LBE</b>	<b>MBE</b>	<b>WBE</b>	<b>LRG</b>
Backstrom McCarley Berry & Co., LLC*	X	X		
Bank of America Merrill Lynch	X			X
Barclays Capital Inc.	X			X
Citigroup Global Markets Inc.	X			X
De La Rosa & Co.**	X	X		
Jefferies & Company, Inc.	X			
J.P. Morgan Securities LLC	X			X
Loop Capital Markets LLC	X	X		
Morgan Stanley & Co., Inc.	X			X
Ramirez & Co., Inc.	X	X		
Stifel Financial Corporation	X			
U.S. Bancorp	X			X
Wells Fargo Securities*	X			X

<b>POOL 4 - LAND SECURED ASSESSMENT</b>	<b>LBE</b>	<b>MBE</b>	<b>WBE</b>	<b>LRG</b>
Citigroup Global Markets Inc.	X			X
De La Rosa & Co.**	X	X		
Greencoast Capital Partners LLC**	X		X	
Piper Jaffary & Co.	X			
Stifel Financial Corporation	X			
Wells Fargo Securities*	X			X

<b>POOL 5 - UNIQUE TYPE / PPP</b>	<b>LBE</b>	<b>MBE</b>	<b>WBE</b>	<b>LRG</b>
Bank of America Merrill Lynch	X			X
Barclays Capital Inc.	X			X
Cabrera Capital Markets, LLC	X	X		
Citigroup Global Markets Inc.	X			X
De La Rosa & Co.**	X	X		
Goldman Sachs & Co.	X			X
Greencoast Capital Partners LLC**	X		X	
J.P. Morgan Securities LLC	X			X
Loop Capital Markets LLC	X	X		
Morgan Stanley & Co., Inc.	X			X
Siebert Brandford Shank & Co., Inc.*	X	X	X	
Stifel Financial Corporation	X			
Wells Fargo Securities*	X			X
William Blair & Company				

## **ATTACHMENT L**

**List of City Bond Financings from July 2008 to July 2011**

**List of City Bond Financings  
From July 2008 to July 2011**

<u>Issue Name</u>	<u>Method of Sale</u>	<u>Closing Date</u>	<u>Par Amount</u>	<u>Underwriting Team</u>
General Obligation Bonds, Series 2008-A	Competitive	8/20/2008	\$101,000,000.00	Merrill Lynch & Co.
Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2008-A (Capital Equipment)	Negotiated	8/28/2008	\$105,090,000.00	JP Morgan Securities Inc. (Senior Manager, 50%) Siebert Brandford Shank & Co., LLC (Co-Manager, 30%) Cabrera Capital Markets, LLC (Co-Manager, 20%)
Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2008-B (Real Property)	Negotiated	8/28/2008	\$43,790,000.00	Siebert Brandford Shank & Co., LLC (Senior Manager, 50%) JP Morgan Securities Inc. (Co-Manager, 30%) Cabrera Capital Markets, LLC (Co-Manager, 20%)
Convention Center Lease Revenue Bonds, Refunding Series 2008-A	Negotiated	10/15/2008	\$253,060,000.00	Merrill Lynch & Co. (Senior Manager, 50%) De La Rosa & Co. (Co-Manager, 20%) Stone & Youngberg (Co-Manager, 20%) Backstrom McCarley Berry & Co., LLC (Co-Manager, 10%)
Los Angeles Wastewater System Revenue Bonds, Refunding Series 2009-A	Negotiated	3/26/2009	\$454,785,000.00	De La Rosa & Co. (Senior Manager, 50%) Siebert Brandford Shank & Co., LLC (Co-Manager, 20%) JP Morgan Securities Inc. (Co-Manager, 10%) Goldman, Sachs & Co. (Co-Manager, 10%) Jackson Securities (Co-Manager, 10%)
Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2009-A (Capital Equipment)	Negotiated	4/23/2009	\$57,930,000.00	Citigroup Global Markets Inc. (Senior Manager, 50%) Siebert Brandford Shank & Co., LLC (Co-Manager, 25%) Estrada Hinojosa & Co. (Co-Manager, 25%)
Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2009-B (Real Property)	Negotiated	4/23/2009	\$52,065,000.00	Siebert Brandford Shank & Co., LLC (Senior Manager, 50%) Citigroup Global Markets Inc. (Co-Manager, 25%) Estrada Hinojosa & Co. (Co-Manager, 25%)
Judgment Obligation Bonds, Series 2009-A	Negotiated	6/30/2009	\$20,600,000.00	Merrill Lynch & Co. (Senior Manager, 100%)
2009 Tax & Revenue Anticipation Notes	Negotiated	7/16/2009	\$1,038,200,000.00	Goldman Sachs & Co. (Co-Senior Manager, 50%) JP Morgan Securities Inc. (Co-Senior Manager, 30%) Loop Capital Markets LLC (Co-Manager, 10%) RBC Capital Markets (Co-Manager, 10%)
General Obligation Bonds, Series 2009-A	Competitive	8/18/2009	\$123,550,000.00	JP Morgan Securities Inc.
General Obligation Bonds, Series 2009-B (Taxable Build America Bonds)	Competitive	8/18/2009	\$52,950,000.00	Merrill Lynch & Co.
Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2009-C (Capital Equipment) and Series 2009-D (Taxable Recovery Zone Economic Development Bonds)	Negotiated	12/10/2009	\$61,395,000.00	Citigroup Global Markets Inc (Senior Manager, 50%) De La Rosa & Co. (Co-Manager, 25%) Cabrera Capital Markets, LLC (Co-Manager, 25%)
Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2009-E (Real Property)	Negotiated	12/10/2009	\$56,665,000.00	De La Rosa (Senior-Manager, 50%) Citigroup Global Markets Inc (Co-Manager, 25%) Cabrera Capital Markets, LLC (Co-Manager, 25%)
Solid Waste Resources Revenue Bonds, Series 2009-A and Series 2009-B	Negotiated	12/23/2009	\$114,505,000.00	Stone & Youngberg LLC (Senior Manager, 65%) Cabrera Capital Markets, LLC (Co-Manager, 35%)
Judgment Obligation Bonds, Series 2010-A	Negotiated	6/29/2010	\$50,875,000.00	De La Rosa (Senior Manager, 60%) Stone & Youngberg (Co-Manager, 40%)
2010 Tax & Revenue Anticipation Notes	Negotiated	7/14/2010	\$1,164,630,000.00	JP Morgan Securities LLC (Co-Senior Manager, 50%) BofA Merrill Lynch (Co-Senior Manager, 30%) Loop Capital Markets LLC (Co-Manager, 10%) RBC Capital Markets LLC (Co-Manager, 10%)

**List of City Bond Financings  
From July 2008 to July 2011**

<b>Issue Name</b>	<b>Method of Sale</b>	<b>Closing Date</b>	<b>Par Amount</b>	<b>Underwriting Team</b>
Los Angeles Wastewater System Revenue Bonds, Series 2010-A (Taxable Build America Bonds) and Series 2010-B (Taxable Recovery Zone Economic Development Bonds)	Negotiated	10/21/2010	\$267,020,000.00	Siebert Brandford Shank & Co., LLC (Senior Manager, 40%) De La Rosa & Co. (Co-Manager, 30%) Stone & Youngberg LLC (Co-Manager, 30%)
Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2010-A (Tax Exempt)	Negotiated	10/21/2010	\$199,790,000.00	Cabrera Capital Markets, LLC (Senior Manager, 75%) Backstrom McCarley Berry & Co., LLC (Co-Manager, 25%)
Community Facilities District No. 8 (Legends at Cascades) Series 2010-A	Negotiated	11/18/2010	\$6,000,000.00	Stone & Youngberg LLC (Senior Manager, 100%)
Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2010-A (Capital Equipment) and Refunding Series 2010-D (Capital Equipment and Real Property)	Negotiated	11/23/2010	\$49,060,000.00	De La Rosa & Co. (Senior Manager, 50%) Siebert Brandford Shank & Co., LLC (Co-Manager, 25%) Estrada Hinojosa & Co., Inc. (Co-Manager, 25%)
Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2010-B (Capital Equipment) (Taxable Recovery Zone Economic Development Bonds) and Series 2010-C (Real Property) (Taxable Recovery Zone Economic Development Bonds)	Negotiated	11/23/2010	\$67,485,000.00	Siebert Brandford Shank & Co., LLC (Senior Manager, 50%) De La Rosa & Co. (Co-Manager, 25%) Estrada Hinojosa & Co., Inc. (Co-Manager, 25%)
2011 Tax & Revenue Anticipation Notes	Negotiated	7/12/2011	\$1,204,665,000.00	J.P. Morgan Securities LLC (Co-Senior Manager, 50%) De La Rosa & Co. (Co-Senior, 30%) Citigroup Inc., (Co-manager, 10%) Loop Capital Markets LLC (Co-manager, 10%)
General Obligation Bonds Series 2011-A and Refunding Bonds Series 2011-B	Competitive	7/28/2011	\$376,660,000.00	J.P. Morgan Securities LLC