



# Administrative Report

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N.2., File # 21-2301

Meeting Date: 4/13/2021

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**To:** MAYOR AND CITY COUNCIL

**From:** MICHAEL W. WEBB, CITY ATTORNEY CHERYL PARK, ASSISTANT CITY ATTORNEY

## **TITLE**

DISCUSSION AND POSSIBLE ACTION REGARDING APPROVAL OF AGREEMENTS TO PROVIDE LEGAL SERVICES AS BOND AND DISCLOSURE COUNSEL

APPROVE AGREEMENT WITH NORTON ROSE FULBRIGHT US LLP FOR LEGAL SERVICES AS BOND COUNSEL FOR AN AMOUNT NOT TO EXCEED \$146,800 FROM APRIL 13, 2021 UNTIL TERMINATED; AND

APPROVE AGREEMENT WITH RICHARDS, WATSON & GERSHON PC FOR LEGAL SERVICES AS DISCLOSURE COUNSEL FOR AN AMOUNT NOT TO EXCEED \$36,500 FROM APRIL 13, 2021 UNTIL TERMINATED

## **EXECUTIVE SUMMARY**

Norton Rose Fulbright US LLP ("Norton Rose Fulbright") has one of the largest public finance practices in the United States, with approximately 87 attorneys who work in the area of public finance or federal income taxation as it relates to public finance. Norton Rose Fulbright enjoys a reputation as one of the leading public finance firms, with a current ranking of third in the country in par amount of bonds issued. In the last four years, Norton Rose Fulbright has helped raise more than \$36.4 billion par amount of bonds.

Over the past five years, the Firm's California-based bond attorneys have closed more than 600 transactions for California counties, cities and other public agencies, representing over \$50 billion in principal amount of municipal securities. Due to the breadth of its practice, the Firm has represented issuers, underwriters, letter-of-credit banks, trustees, financial advisors, institutional purchasers, bond insurers, borrowers, developers, investment contract providers, interest rate swap providers and others in public finance matters.

Norton Rose Fulbright attorneys have extensive experience serving as bond counsel to a variety of public entities and have developed and currently enjoy many strong, long-lasting relationships with many public entities. Norton Rose Fulbright has served as counsel to every major investment banking firm and underwriting firm in the United States. This experience helps the Los Angeles office public finance and administrative law group anticipate the interests of other parties in public finance negotiations and advise the applicable parties concerning when and how those interests should be

met and what securities law disclosure is required and when.

Donald Hunt ("Hunt") is a partner and the head of the Los Angeles Public Law and Administration Group. Hunt will be the principal contact for this engagement and will be in charge of all aspects of the firm's service to the City.

Richards Watson & Gerson PC ("RWG") is a professional corporation that has specialized in representing public entities of all types and sizes since shortly after its founding in 1954. RWG has offices in Los Angeles, San Francisco, Orange County, Temecula, and Central Coast. RWG serves as bond counsel and disclosure counsel to numerous public entities and provides legal advice in a broad range of federal and state law, tax, and securities matters related to financing public projects, and has experience with pension obligation bonds and lease revenue bonds. RWG also currently serves as city attorney, general counsel, authority or agency counsel, or special counsel to over 50 public entities throughout California. RWG's representation of public entities has included cities, counties, joint powers authorities, water districts, other special districts, airports, redevelopment agencies and their successor agencies, community facilities districts, and school districts. This broad experience provides RWG'S public finance attorneys special insight and sensitivity to issuers' needs and concerns in finance transactions.

Lolly Enriquez ("Enriquez") is a shareholder at RWG and has been practicing public finance for over 22 years. She has been disclosure counsel and bond counsel on a broad variety of financings including pension obligation bonds and lease revenue bonds.

### **BACKGROUND**

The City's pension costs have been rising dramatically due to the requirement to repay the Unfunded Accrued Liability (UAL) to the California Public Employees' Retirement System (CalPERS). The City's aggregate UAL owed to CalPERS is projected to be \$211,769,876 by June 30, 2021. The UAL balance is driven by historical changes in actuarial assumptions and lackluster investment performance.

The City has an opportunity to refinance its UAL with a bond issue at an interest rate substantially below the 7% charged by CalPERS. It would be possible to recognize between \$50 million and \$90 million with long-term pension cost reductions, depending on the structure of the bond issue. Therefore, staff has begun the process of preparing an appropriate structure to refinance the UAL. Bond Counsel and Disclosure Counsel would assist the City in this endeavor.

### **COORDINATION**

The recommendation was derived in coordination with the City Attorney's Office, the Financial Services Department and the City Manager's Office. The Agreements have been approved by Norton Rose Fulbright US LLP and Richards Watson & Gershon PC and the City Attorney's Office has approved them as to form.

### **FISCAL IMPACT**

Funds for the legal services are provided from the bond issuance.

**ATTACHMENTS**

Legal Services Agreement

- Norton Rose Fulbright US LLP
- Richards, Watson & Gershon PC