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MEMORANDUM

**TO: The Honorable Council Member Crescimbeni
 The Honorable Council Member Boyer**

**FROM: Jason Gabriel, General Counsel
 Gayle Petrie, Chief Financial Officer, OGC**

RE: Ordinance Code Section 126.313 – Financial Related Services

DATE: March 12, 2018

Background:

Section 126.313 of the Ordinance Code directs the Director of Finance and the City Treasurer, in cooperation with the Chief to develop written criteria and procedures to evaluate and procure financially related services. This direction has resulted in the development of criteria and procedures regarding financial related services, with the most recent process and procedures having been adopted by the Director of Finance, Treasurer and Chief of Procurement on October 17, 2016 (the "10/17/16 Process and Procedures"). Pursuant to the 10/17/16 Process and Procedures, Public Financial Management, Inc. ("PFM"), which has served as the City's Financial Advisor since 1995, and currently serves as Financial Adviser under a contract dated June 21, 2016, was requested to assist the City in preparing, and evaluating responses to, an RFP for Strategic Initiative Financial Advisory Services dated December 12, 2017. This was the same process used by the City and PFM to assemble a team of underwriters for potential issuance of City bonds pursuant to a previously issued RFP.

After responses to the Strategic Initiative RFP were received from several firms, the City evaluated the firms, on February 1, 2018, and selected J. P. Morgan, Goldman Sachs, Morgan Stanley and KPMG to be members of the Strategic Initiative team. As was the case with the underwriter team that was previously assembled, no volume of work was promised, no obligation to the team members was created, and no funds were paid to team members. Any future work will be on a case-by-case basis and terms of engagement will be negotiated at the time of a specific engagement.

Questions and Answers:

In response to the questions raised in emails dated February 22, 2018 (questions 8 and 9), and February 23, 2018 (questions 1-7), I am pleased to provide the following information.

Question 1. Does Section 126.313 of the Ordinance Code allow an unrelated third party to issue and evaluate responses to an RFP?

Yes. The City is authorized to utilize the services of PFM, its unrelated Financial Advisor, to assist in the process of preparing and issuing and evaluating responses to a RFP. The ultimate selection is to be made by the City and this was done in case of the Strategic Initiative team (as was the case with the Underwriter team in 2016).

Question 2. Is authorization implied by the reference in Section 126.313 to the use of the City's Pension and Treasury Procurement Process?

Yes. As discussed above in the Background paragraph, the 10/17/16 Process and Procedures were adopted pursuant to 126.313 on October 17, 2016.

Question 3. Who is the Chief as referenced in Section 126.313?

The Chief of Procurement.

Question 4. Do all three of the Director of Finance, Treasurer and Chief have to participate in the Section 126.313 process?

No. The Director of Finance, with any requested input from the Treasurer, has the authority to develop criteria, processes and procedures, without the consent of the Chief. However, Section 126.313 provides for cooperation with the Chief, and in the case of the 10/17/16 Process and Procedures, this provision was followed as evidenced by the approval of all three referenced individuals (i.e, the Director of Finance, Treasurer and Chief of Procurement).

Question 5. Are the written criteria and procedures blanket procedures or individual to each separate procurement?

The 10/17/16 Process and Procedures referenced above are procedures that are applied to all procurement transactions under Section 126.313.

Question 6. Can you provide a copy of the process?

Yes. See attached Exhibit A.

Question 7. Can you provide a copy of the criteria and procedures?

Yes. See Part C of Exhibit A.

Question 8. Can an award be made under Section 126.313 without City Council approval?

Yes. Procurement awards in general are made without City Council action and a Section 126.313 award can likewise be made without City Council action.

Question 9.

a. Where would funds come from to pay a member of the Strategic Initiative team?

Funds would come from existing budgeted funds or from funds specifically appropriated by City Council action with respect to a particular project.

b. Are funds currently in the approved budget?

Yes, funds for professional services are available, but none are committed to this purpose as described earlier in this memorandum.

c. Can a Strategic Initiative team member be hired and paid without further appropriation by City Council?

Yes.

GC-#1192288

EXHIBIT A

City of Jacksonville Treasury and Pension Procurement Procedures of Financial Instruments and Services Amended October 2016

Part A – Authorizing Ordinance

Sec. 126.313. - Financial related services.

Pursuant to Chapter 110 Part 2 of the Jacksonville Ordinance Code, as the same may be revised from time to time, all deposits and investments of City capital, including the General Employee Pension Fund, and other applicable financially related services, including, without limitation, credit enhancement, liquidity support, investment managers, financial and/or investment advisors, issuing, paying and/or tender agents, rating agencies, printing of preliminary and/or final official statements, offering memorandum, bonds, notes and/or commercial paper, and similar services that are offered in a limited market, that involve complex negotiations, or that require a limited time frame as necessary for a financial transaction involving bonds, notes, commercial paper or other similar transactions, may be procured in accordance with the City's Pension and Treasury Procurement Procedures. Notwithstanding the requirements of the City's Pension and Treasury Procurement Procedures, the Director of Finance and the City Treasurer, in cooperation with the Chief, shall develop written criteria and procedures necessary to evaluate and procure financially related services under this Section 126.313, which shall include, without limitation, such factors as historic investment performance, fee structure, professional staff, size of firm, research capabilities, area of specialization, strategic fit with the overall financial service goals and objectives. Any procurement under this Section shall include as much competition as practically possible under the circumstances, and shall include procedures necessary to insure compliance with the requirement to procure the highest quality in financial services at the greatest economic value to the City.

Part B – Services to Which This Policy Applies

Types of Procurement

This section applies to the procurement of the following financial instruments and services:

- (1) authorized investments pursuant to the City's Investment Policy, the General Employee Pension Fund Investment Policy, the current bond resolutions, and any future bond resolutions;
- (2) financial instruments and arrangements, including but not limited to interest rate swaps, caps, floors, collars, options and related hedging instruments, forward supply agreements, float contracts, Guaranteed Investment Contracts (GIC's) and related investment instruments used primarily in escrow agreements relating to debt instruments, bond insurance, surety policies, letter of credit, other credit enhancement, and liquidity support;
- (3) fuel price insurance program instruments, including, but not limited to, natural gas, crude oil, unleaded gas, diesel, heating oil, and residual oil futures and/or options contracts and commodity swaps;

- (4) investment management firms, financial advisors, investment advisors, and actuarial, recordkeeping, and custody services;
- (5) purchases in the secondary market of City debt;
- (6) debt underwriting services to underwrite bonds, notes or other financial instruments bond counsel and related legal services; trustee, registrar, paying agent, fiscal agent, tender agent, escrow agent, and other similar fiduciary services; credit rating agencies services; dealers or remarketing agents;
 - a. securities lending arrangements and commission recapture firms; financial printing services; banking services; escrow verification services, arbitrage calculations, and accounting services related to a debt issue or escrow restructuring; and letters of credit or liquidity support for operational purposes.
- (7) All other services and/or financial instruments prudent for the continued financial operation of the city, including the General Employees Pension fund as outlined by city code and applicable state statutes.

Part C – Methods of Procurement

Request for Proposals (RFP), Request for Information (RFI), Request for letters of Interest (RFLI)

Professional services shall be obtained by RFP/RFI/RFLI which will be competitive in nature, except when authorized by the Director of Administration and Finance, or his designee, as a sole source or proprietary procurement, an emergency procurement, or as noted below. General criteria:

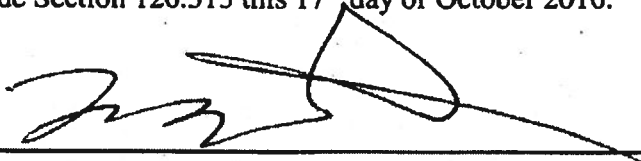
- (1) Under competitive proposals, the quality of competing services may be compared and trade-offs made between price and quality of the services offered (all as set forth in the Request for Proposals).
- (2) Award under competitive proposals is then made to the responsive and responsible firm(s) whose proposal is most advantageous to the City.
- (3) The competitive proposal shall describe the scope of services required, list the type of information and data required of each proposer, and list all evaluation factors.
- (4) Adequate notice of the RFP/RFI/RFLI shall be given a reasonable time prior to the date set forth as the response deadline. Such notices may include publication in a newspaper, on the City's website, advertisement by email from the City or its Financial/Investment Advisors to qualified firms or in an appropriate trade publication.
- (5) Record shall be kept by the City or its financial and investment advisors of all proposals received. Late proposals shall not be accepted.
- (6) The requesting organizational element shall designate an evaluator(s) to review and evaluate proposals received in accordance with the criteria set forth in the RFP. The evaluator may be the city's financial advisor(s), investment advisor(s), bond counsel, the city itself, or any third party approved by the city to perform the evaluation. A summary of the bids and rationale for the scoring must be provided to the City, by the evaluator. In the event that the city is the evaluator, proper due diligence records must be maintained that document the rationale behind the final

procurement decision. The evaluator may conduct discussions with any proposer to clarify the contents of their proposal. The ultimate decision on whether to procure the item or service in question, and which vendor to use if an affirmative decision is made, must be made by the City after a thorough review of all relevant factors.

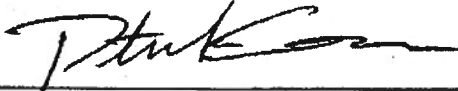
- (7) The product of the evaluation process shall be a list of qualified proposers with the relevant information to rank order the most qualified to least qualified. Tie rankings are permissible. When proposers are tied or are very similar in score for the most qualified, these proposers may be interviewed to determine the most qualified.
- (8) The evaluator(s) shall negotiate fair and reasonable compensation and other contract terms with the most qualified proposer. If terms cannot be agreed upon with the most qualified proposer, then negotiations will be formally terminated with the selected proposer. If one or more other proposers were determined to be qualified, negotiations may be conducted with such other proposers, in the order of their respective ranking.
- (9) Award shall be made to the proposer determined to be most qualified and in agreement with compensation and other contract terms determined to be fair and reasonable. Multiple or split awards may be made if in the best interest of the City and provided for in the solicitation document.
- (10) For the hiring of external investment managers, the City and Pension Board may utilize its consultant to perform a thorough and in depth review of the marketplace to determine the manager which best fits the needs of the pension or operating funds. In addition, the City may perform its own analysis using its investment software/database from which it will rank managers based on the desired portfolio characteristics. The pension board and operating portfolio investment committee may interview the top ranked candidates if necessary to determine the winner of the search. The purchase of individual securities by hired external money managers is left to the discretion of the external money managers within the framework of the City's investment policy.
- (11) In accordance with the City's investment policies, the Treasurer may take emergency action that deviates from this policy if it is deemed necessary to avoid financial loss or to secure gains. Any action taken pursuant to this authority shall be detailed in writing to the Director of Finance and Administration. Such decisions shall be presented to the Pension Board of Trustees or Investment Committee at its next regularly scheduled meeting or an emergency meeting held sooner.

The General Employee Pension Fund authorized investments are stated in City Ordinance section 120.110, Florida Statute 215.47, and the Retirement System's Investment Policy Statement. The City's Operating Fund investments are subject to the City's Investment Policy Statement. The procurement of securities by hired external money managers is left to the discretion of the external money manager, so long as the procurement method is in the best interest of the City.

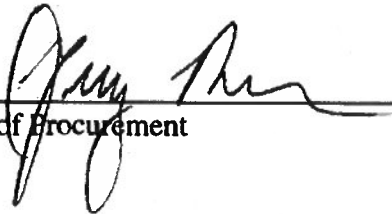
This policy has been constructed, reviewed, and approved by the Director of Finance and Administration / CFO, Treasurer, and Chief of Procurement as required by Municipal Code Section 126.313 this 17th day of October 2016.



Director of Finance and Administration / CFO

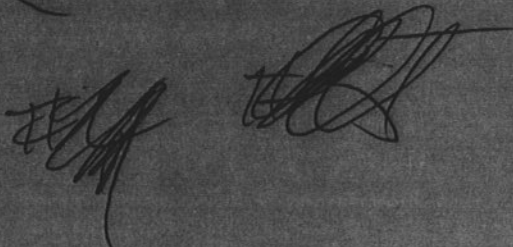
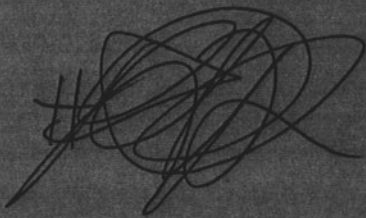


Treasurer



Chief of Procurement

TABS



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