



Office of the City Manager

CONSENT CALENDAR
December 14, 2021

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Henry Oyekanmi, Director, Finance

Subject: Contract: Valdes and Moreno for Consulting Services Related to the Microbond Financing Pilot Program

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to execute a contract, with any amendments, with Valdes and Moreno for professional services needed to establish and administer full-services consulting and other services related to a Microbond Financing Program. The total contract not to exceed amount is \$150,000.

FISCAL IMPACTS OF RECOMMENDATION

The not to exceed amount for the work provided under this contract is \$150,000 budgeted in the General Fund.

Initial costs are anticipated to be \$49,500 in accordance with the tasks and associated costs listed in the table below:

Initial Review / Consultancy	\$ 15,000.00
System Architecture (auditable)	\$ 5,000.00
Testing frontend/backend system	\$ 5,000.00
Marketing	\$ 5,000.00
Sale of Loan	\$ 14,500.00
Administration Year 1	\$ 5,000.00
Start-up costs	\$ 49,500.00
Legal and Compliance Contingency	\$ 30,000.00
Administration Years 2 - 10	\$ 49,500.00
Total	\$ 129,000.00

Combined, start-up, compliance, and ongoing administration costs total \$129,000. Due to some potential variability in some of the costs, the not-to-exceed contract cost is \$150,000.

CURRENT SITUATION AND ITS EFFECTS

The City has not previously used this type of financing program. Typically, if an expenditure is less than \$2MM for a piece of equipment, as an example, the City will issue a check and pay for the purchase outright. If an expenditure exceeds \$2MM, the City will finance the purchase using bank financing programs available to municipalities and other public agencies.

The recommendation for a Microbond Financing Program pilot project is the result of a City of Berkeley Request for Proposal (RFP) competitive solicitation for a Microbond Financing Program. RFP #20-11365-C was developed by the Finance Department based on a prior Council referral and subsequent research presented by NHA Advisors. The RFP was published publicly on the department's Current Bids and Proposals web page. Proposal responses were due in March 2020. Prior to the responses being reviewed by the evaluation committee the shelter in place order was announced, which put an indefinite hold on this initiative and many other City bids, RFPs, and projects.

The Microbond RFP was re-issued in March 2021. Firms who had submitted a response by the original due date were allowed to either:

- 1) confirm 'no changes' to their initial response, or
- 2) submit revisions due to the year-long pause in the project.

Eight (8) responses were received by the new due date in April 2021. Those responses were reviewed and scored by an evaluation committee. A shortlist of four (4) firms was developed from the evaluation committee's in-depth review of all responses. Three of the four shortlisted firms were interviewed in a finalist round, with the fourth becoming non-respondent to inquiries. At the end of the round of finalist interviews the response from Valdes & Moreno has the combination of:

- 1) highest points from evaluation committee scoring,
- 2) best ranking from finalist interviews (ranked first), and
- 3) most favorable cost impact for implementing and administering the pilot project.

The City's pilot program is intended to be a status quo offering done in parallel with newly built blockchain technology. The parallel process approach has advantages for the City, in that doing so means:

- 1) the sale can be accompanied by high-level person-to-person customer service, while simultaneously employing the sophisticated technology needed to run an event such as this one,
- 2) the City can still offer the investment opportunities to the underserved who may not have the personal technology required to participate in the sale should it be only offered through technology; and,

- 3) the City can proceed with the program, both while “proving the concept” (of microbond and blockchain) and mitigating regulatory concerns that still exist related to use of blockchain in governmental financing.

BACKGROUND

City Council originally referred the project in May 2018, directing the City Manager to research, develop, and implement a Microbond Financing Program. In doing so, there were certain benefits related to crowdsourcing (Microbond/Minibond financing) Council was hoping to attain. The anticipated benefits noted at that time were to:

- Increase Accessibility,
- Increase Transparency,
- Increase Flexibility,
- Increase Speed, and
- Build Community

Simultaneously, introduction of blockchain technology into the financing event was discussed, with the goal of capturing the following characteristics of using blockchain: Reliability and Availability,

- Transparent,
- Immutable, and
- Irrevocable

Prior reports related to the research of Microbond financing, and which were utilized in developing the Request for Proposals for the pilot program can be found here:

[Background on Microbond Financing Program](#)

The City’s municipal financial advisor assisted with research of the Microbond Financing environment. The results of the research about the viability of Microbond Financing were presented to City Council in June 2019 (see linked Council Report above). The Finance Department was directed to draft a Request for Proposal addressing Microbond financing and blockchain technology and to go to the market to solicit for a firm to provide full service professional services so that the City of Berkeley could pilot a Microbond Financing Program.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no identifiable environmental effects or opportunities associated with the action requested in this report.

RATIONALE FOR RECOMMENDATION

The City administered Request for Proposals #20-11365-C for this initiative in Fall of 2019. The RFP was published on the Finance Department web site. Responses were due in March 2020. Eight (8) responses were received. Prior to being reviewed by an evaluation committee the shelter in place order was announced and the project was put

on hold. General Services staff efforts were re-directed to supporting the City's Emergency Operations Center response to the pandemic.

The RFP was re-opened in April 2021 due to the length of time that had transpired from the original due date. Firms were offered the opportunity to either confirm their proposal response, or to revise their proposals in order to accommodate any staffing, market, or partnership changes that may have occurred during the year-long pause in the RFP process.

The evaluation committee reviewed and scored the eight responses. Based on those scores, four firms were placed on a shortlist of finalists. One of those four dropped out. The remaining three firms participated in finalist interviews. Valdes and Moreno received the most points from the evaluation committee and received the top ranking following the finalist interviews. The cost structure from Valdes and Moreno was the most advantageous to the City for the proposed scope of services. Combining committee scoring, finalist interview ranking, and cost, the proposal from Valdes and Moreno represents the best value to the City.

ALTERNATIVE ACTIONS CONSIDERED

The City may pay for purchases outright, or use normal bank financing program available to public agencies.

CONTACT PERSON

Darryl Sweet, General Services Manager, Finance, (510) 981-7329

Attachments:

1: Resolution

RESOLUTION NO. ##,###-N.S.

APPROVAL OF EXPENDITURE CONTRACT WITH VALDES & MORENO

WHEREAS, the City Council directed the City Manager to start implementation of a Microbond Financing Program in May 2018; and

WHEREAS, extensive research from NHA Advisors was presented to Council in June 2019 in response to the May 2018 referral; and

WHEREAS, the City administered Request for Proposals (RFP) specification number 20-11365-C seeking proposals for full-service administration of a Microbond Financing Program; and

WHEREAS, eight (8) responses received to Request for Proposals 20-11365-C, they were subsequently reviewed (following the re-opening efforts of the City), scored, and ranked by the RFP evaluation committee, a shortlist developed and interviews conducted, and a recommendation was put forward to the Director of Finance; and

WHEREAS, Valdes & Moreno earned the most points from the review committee, ranked highest among the shortlist finalist interviews, and offers the most beneficial pricing to the City.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to execute a professional services contract, including any amendments, with Valdes & Moreno to provide consulting services as needed to administer a Microbond Financing Program in an amount not to exceed \$150,000, budgeted in the General Fund.