



# AGENDA REPORT

City Attorney's Office

<b>DATE:</b>	September 24, 2024
<b>TO:</b>	Mayor Martinez and Members of the City Council
<b>FROM:</b>	David Aleshire, City Attorney Floy Andrews, Special Counsel
<b>Subject:</b>	Legal Services Agreement with the City, Bradley Miller and Keller Rohrback LLP to evaluate claims on interest rate swap transactions
<b>FINANCIAL IMPACT:</b>	There will be no fiscal impact as all fees and costs incurred in connection with the representation will be paid on a contingency basis of 25% of the net recovery. Costs are also reimbursable from the net recovery. To the extent that City unilaterally decides to retain additional experts or services, the City will be responsible for those separate costs. Costs associated with City staff support will not be recoverable.
<b>PREVIOUS COUNCIL ACTION:</b>	April 6, 2021; October 5, 2021; December 7, 2021; April 5, 2022, April 19, 2022
<b>STATEMENT OF THE ISSUE:</b>	Over the past approximately 15 years, the City relied on a team of various financial experts to provide advice regarding certain bonds held by the City. Those experts advised the City to participate in various swaps and derivatives transactions totaling in the hundreds of millions of dollars. The City sought to have independent financial advisors, and based on the issues raised, the City sought outside legal advice. Now the City seeks to retain the legal services of Keller Rohrback L.L.P. and R. Bradley Miller, Esq. to represent the City on a contingent fee basis in

	evaluating the advice the City received and to represent the City in recovering for professional malpractice.
<b>RECOMMENDED ACTION:</b>	APPROVE a contingency fee representation agreement with Keller Rohrback L.L.P. and R. Bradley Miller, Esq. for legal services in a matter involving financial and other advice provided to the City by various parties regarding swaps and derivatives and AUTHORIZE the city attorney to make any necessary technical modifications to agreement before final execution - City Attorney's Office (David Aleshire 510-620-6509).

**DISCUSSION:**

The City entered into various esoteric swaps and derivatives transactions pertaining to certain outstanding municipal bonds during the years between 2009 and 2014. Thereafter, the City terminated those swaps and derivatives transactions and refinanced the outstanding bonds with more conventional municipal bonds. The swaps and derivatives so terminated were highly complex and involved outstanding municipal bonds with notional values totaling over \$454 million. In terminating those transactions, the City was required to pay over \$66 million in termination fees.

In 2022, the City retained Charles River Associates (CRA) to perform an Independent Compliance and Regulatory Review of the City's swaps and derivatives, as well as the various financial proposals originally provided to the City. CRA was focused on understanding how the City initially decided to enter into the highly complex swaps and derivatives and whether there were any legal, regulatory or compliance failures. CRA concluded that the original financial proposals and associated representations and actions of the advisors "warrant further scrutiny."

The present action to enter into the legal services agreement is intended to obtain that further scrutiny and to seek recovery for professional malpractice, if warranted.

**DOCUMENTS ATTACHED:**

Attachment 1 – Legal Services Agreement between with the City of Richmond & Keller Rohrback L.L.P. and R. Bradley Miller Regarding Richmond Swaps