



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JUNE 28, 2022

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: SECOND AMENDMENT TO MASTER PROFESSIONAL CONSULTANT SERVICES AGREEMENT WITH CSG ADVISORS INCORPORATED, TO EXTEND THE TERM OF THE AGREEMENT BY ONE YEAR TO JUNE 30, 2023

ISSUE:

Approve the Second Amendment to the Master Professional Consultant Services Agreement with CSG Advisors Incorporated, to extend the term of the agreement by one year to June 30, 2023.

RECOMMENDATIONS:

That the City Council:

1. Approve the Second Amendment to the Master Professional Consultant Services Agreement with CSG Advisors Incorporated to extend the term to June 30, 2023;
2. Authorize the City Manager, or their designee, to execute the Amendment with CSG Advisors Incorporated, including making minor and non-substantive changes.

BACKGROUND:

In November 2017, the City issued Request for Proposals (RFP) No. 1757, seeking qualified entities to provide financial advisory services to the City for various debt and finance-related matters. Services include guidance and assistance working with credit rating agencies to maintain and or upgrade ratings, arbitrage monitoring, swap advisement, swap reporting, issuance of new and refunding bonds, and advising on specific financing-related deals. On June 5, 2018, the City Council approved Master Consultant Services Agreements with the four highest ranking firms: Omnicap Group, LLC., PFM Financial Advisors, LLC., CSG Advisors Inc., and NHA Advisors LLC. The term of each Agreement was through June 30, 2021, with the option to extend for three additional years. In May 2021, the Master Consultant Services Agreement was approved by the City Manager to extend through June 30, 2022.

DISCUSSION:

The current Master Agreement will expire June 30, 2022. The Finance Department is in the process of preparing an RFP to select new Financial Advisors, but based on existing resources,

staff requires additional time to complete, release, and bring a new team up to speed. Staff recommends extending the term of the Master Agreement for the final one-year extension period expiring June 30, 2023, as permitted in the Master Agreement approved by City Council in 2018. This will allow the Finance Department sufficient time to publish a new RFP while still having an experienced financial advisor onboard for any General Fund and Special District related financing needs.

The City has relied upon CSG as the financial advisor on all General Fund and Special District related debt financing. CSG assisted the City with the 2019A Galleria Lease Revenue Bonds and the 2019B Library Lease Revenue Bonds. CSG also coordinated the Community Facilities District 2015-1 (Orangecrest) bond issuance and the Community Facilities District 2015-2 (Pomelo) bond issuance. Throughout each of these deals, CSG worked with City staff to guide the process and coordinated various items and discussions with our special tax consultants, rating agencies, and banks. Most importantly as the financial advisor, CSG worked with the City to ensure that the long-term financing strategy made sense and to review a variety of potential financing deals, including the Convention Center P3 project.

Should the services with CSG not be extended for an additional year, the City would lose all cost savings benefits of holding the current low rates with CSG. Should Council approve the extension to the Master Agreement, this will allow staff the necessary time to complete and analyze the results of a comprehensive RFP, while ensuring the City maintains proper financial advisory service in order to quickly respond to market conditions.

The City is frequently approached by underwriting banks eager to work with the City on refunding and new bond issuances. Having a trusted financial advisor on board who is well-versed with the history and current needs of the City is extremely beneficial, helping to sift through various proposals and determine which, if any, are in the best interest of the City.

To maintain suitable advisory services and valuable knowledge of the City's debt portfolio, particularly with the General Fund and Special District financings, staff recommends approving the remaining one-year option to extend services through June 30, 2023. The Finance Department will issue a new RFP for Financial Advisory Services and bring the winning bid to the City Council for approval prior to expiration of this extension.

The Purchasing Manager concurs that this request is in compliance with Purchasing Resolution No. 23812.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 5 – High Performing Government** and **Goal 5.3 – Enhance communication and collaboration with community members, to improve transparency, build public trust, and encourage shared decision-making.**

This item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – Financial Advisors serve as City of Riverside fiduciaries, providing a specialized, certified level of knowledge and skillset to ensure that the City is aware of all of the risks and benefits related to various financing strategies to choose the most financially advantageous course of action for our residents, taxpayers, and ratepayers.
2. **Equity** – Competitive procurement was achieved through an RFP process in 2018,

whereby the top four firms were selected to work with the City on an as-needed basis. Under the terms of the RFP and the original Master Agreements, the City has the option to extend the contracts through June 2023. Finance Department staff are working on issuing a new RFP for Financial Advisory Services and will bring the winning bid to City Council for approval prior to expiration of these extensions.

3. **Fiscal Responsibility** – CSG has maintained a low fee schedule since the beginning of this contract, with an annual 3% escalator. This is well below current inflation rates and utilizing this extension will allow the City to lock in the low rates with CSG. As the City's financial advisor for the General Fund and special districts CSG works to ensure that the long-term financing plan is the most beneficial to our residents and taxpayers.
4. **Innovation** – Utilizing a team of financial advisors is an innovative way for the City to stay on top of current laws and best practices in government finance. The City can rely upon experts in their field to ensure that the City is following various reporting and legislative requirements.
5. **Sustainability & Resiliency** – There are significant benefits to exercising this extension period with each of the financial advisory teams. In doing so, the City will be able to lock in the low rates for these services, rather than trying to establish a contract with a new firm which would be subject to higher fees based on the current economic environment. The City also benefits from having a history with advisors who have become familiar with the City's large and complex debt portfolio. The historical knowledge of the City's General Fund and Special Districts is valuable in a portfolio the size of Riverside's.

FISCAL IMPACT:

The fiscal impact to extend the Master Consultant Services Agreement through June 30, 2023, is projected to be \$10,000 for general consultant services. There are sufficient funds in the General Fund, Finance Department Professional Services account number 2302000-421000. Should CSG provide services associated with a refinancing or new bond issuance, fees would be negotiated on a per issue basis based on the size of the bond sale. Financing team fees would be paid from bond proceeds and would be submitted for authorization by City Council at the same time as approval for the financing.

Prepared by:	Heidi Schrader, Debt and Treasury Manager
Certified as to availability of funds:	Edward Enriquez, Chief Financial Officer/City Treasurer
Approved by:	Edward Enriquez, Interim Assistant City Manager
Approved as to form:	Phaedra A. Norton, City Attorney

Attachment:	Second Amendment to Master Professional Consultant Services Agreement
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