



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JUNE 21, 2022

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: SECOND AMENDMENT TO MASTER PROFESSIONAL CONSULTANT SERVICES AGREEMENT AND FIRST AMENDMENT TO TWO (2) SUPPLEMENTAL AGREEMENTS FOR ASSIGNED PROJECTS WITH OMNICAP GROUP, LLC., TO EXTEND THE TERM OF THE AGREEMENTS BY ONE YEAR TO JUNE 30, 2023.

ISSUES:

Approve the Second Amendment to the Master Professional Consultant Services Agreement, and approve the First Amendment to the two (2) Supplemental Agreements for Assigned Projects with Omnicap Group, LLC., to extend the term of each 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 Omnicap Group, LLC., to extend the term to June 30, 2023;
2. Approve the First Amendment to the two (2) Supplemental Agreements for Assigned Projects with Omnicap Group, LLC., to extend the term to June 30, 2023;
3. Authorize the City Manager, or designee, to execute the three (3) Amendments with Omnicap Group, LLC., 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 3 additional years. Within the scope of services of each Master Agreement, Supplemental Agreements with

each firm would be allowed and utilized based on areas of expertise in order to assist the City on an as-needed basis.

In January 2020, the City entered into a Supplemental Agreement with Omnicap Group, LLC. (Omnicap) for Arbitrage Rebate and Swap Reporting services. In September 2020, the City entered into a second Supplemental Agreement with Omnicap Group, LLC. for Swap Advisory services. In May 2021, the Master Consultant Services Agreement, and subsequent Supplemental Agreements with Omnicap were approved by the City Manager to extend through June 30, 2022.

DISCUSSION:

The current Master and Supplemental Agreements 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, additional time is needed to complete, release, and bring a new team up to speed. Staff recommends extending the term of the Omnicap agreements for the final one-year extension period expiring June 30, 2023, as permitted by the Master Agreement approved by City Council in 2018. This will allow the Finance Department sufficient time to publish a new RFP, while still meeting critical arbitrage reporting and monitoring deadlines as required by the Internal Revenue Service.

The City has relied upon Omnicap as the primary advisor on all arbitrage and swap related matters. Omnicap prepares the arbitrage calculations on all the City's tax-exempt bond issuances to determine any rebate liability that may be due to the IRS. Omnicap provides a monthly mark to market swap valuation report on all the City's swap agreements, as well as an annual valuation report which is then used by City Finance Accounting and RPU to adhere with GASB 53 compliance. Additionally, as LIBOR phases out as an acceptable interest rate standard, Omnicap was instrumental in keeping the City apprised of ongoing requirements from ISDA (International Swaps and Derivatives Association) and submission deadlines. This ultimately helped to ensure the City was in adherence to the IBOR Fallback Protocol and was not subject to ISDA fees.

Should the City not extend services with Omnicap for an additional year, we would lose the ability to analyze the cost savings associated with a possible swap termination and refunding of the 2011A Water Variable Rate notes. We have a number of arbitrage analysis reports due this year, which are critical to ensuring we meet any required rebate payments to the IRS. In addition, the City could lose all cost savings benefits of holding the current rates with Omnicap flat. Should the City enter into a new short-term agreement to replace Omnicap, it is estimated the cost will be much higher given the current inflationary economic environment. If Council approves the extensions to the Agreements, this will allow staff the necessary time to complete and analyze the results of a comprehensive RFP, while ensuring current swap and arbitrage reporting requirements are met and the City has ample time to respond to market conditions.

To meet critical reporting deadlines and maintain valuable knowledge of the City's debt portfolio, staff recommends approving the exercise of 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 will bring agreements with the top firms 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 No. 5 High Performing Government** and **Goal No. 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 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** – Omnicap has not increased their fees since 2020 and are allowing the City to lock in the same low rates through exercising this extension option. The funds that receive the analysis pay for the work that Omnicap provides.
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 swap agreements and arbitrage requirements is valuable in a portfolio the size of Riverside's.

FISCAL IMPACT:

The fiscal impact to extend these agreements through June 30, 2023 is estimated at \$21,500 for the current arbitrage, swap advisory, and swap reporting services. These fees have been budgeted as administration costs within the funds of the related bond issuances that have arbitrage reporting requirements within this timeframe. For Community Facilities and Assessment District bonds, fees will be paid through Special Taxes. Should Omnicap 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 authorized 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, Interim Assistant City Manager / Chief Financial Officer / City Treasurer
Approved by:	Kris Martinez, Assistant City Manager
Approved as to form:	Phaedra A. Norton, City Attorney

Attachments:

1. Second Amendment to Master Professional Consultant Services Agreement
2. First Amendment to Supplemental Agreement for Swap Advisory Services
3. First Amendment to Supplemental Agreement for Arbitrage Rebate and Swap Reporting Services