



# City Council Memorandum

*City of Arts & Innovation*

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**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 ONE (1) SUPPLEMENTAL AGREEMENT FOR ASSIGNED PROJECT WITH PFM FINANCIAL ADVISORS, 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 one (1) Supplemental Agreement for Assigned Project with PFM Financial Advisors, 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 PFM Financial Advisors, LLC., to extend the term to June 30, 2023;
2. Approve the First Amendment to one (1) Supplemental Agreement for Assigned Project with PFM Financial Advisors, LLC., to extend the term to June 30, 2023;
3. Authorize the City Manager, or designee, to execute the two (2) Amendments with PFM Financial Advisors, 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 September 2019, the City entered into a Supplemental Agreement with PFM Financial Advisors, LLC. (PFM) for Financial Forecast services related to the CalPERS pension program. In February 2021, the City entered into a second Supplemental Agreement with PFM Financial Advisors, LLC. for Financial Forecast services for RPU-related debt. In May 2021, the Master Consultant Services Agreement, and the second Supplemental Agreement for RPU-related debt that was ongoing with PFM, were approved by the City Manager to extend through June 30, 2022.

## **DISCUSSION:**

The current Master and Supplemental 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, additional time is needed to complete, release, and bring a new team up to speed. Staff recommends extending the term of the Master Agreement and one Supplemental Agreement with PFM 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 having an experienced advisory team onboard for any RPU-related financing needs.

The City has relied upon PFM as the primary advisor on all RPU-related debt financing for the Electric and Water Funds. PFM assisted with the 2019A Electric Revenue Refunding, the 2019A Water Revenue Refunding, the Letter of Credit with Barclays Bank for the 2008A and 2008C Electric Variable Rate Bonds, as well as the Electric and Water System Revolving Line of Credit Agreement in 2022. Throughout each of these deals, PFM worked closely alongside City Finance and RPU to analyze the financing plan, guide the process to ensure the right timing was established, and coordinated various items and discussions with rating agencies and banks. Most importantly as the financial advisor, PFM collaborated with the City and RPU to ensure that the long-term financing strategy made sense and would ultimately be beneficial to the City and ratepayers.

Should the City not extend services with PFM for an additional year, we would lose the ability to analyze the cost savings associated with any new Water or Electric bond issuances, or any refunding agreements. This includes a new bond issuance for the Electric Fund which is planned for later this fall, and a possible refunding of the 2011A Water Variable Rate notes. In addition, the City could lose all cost savings benefits of holding the current rates with PFM flat. Should the City enter into a new short-term agreement to replace PFM, 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 the City maintains proper financial advisory services and is able to positively respond to market conditions.

The City is consistently 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 RPU's Electric and Water systems is extremely beneficial to the City, 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 RPU Electric and Water systems, 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 before 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 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** – PFM has not increased their fees throughout the entire term of this contract and are allowing the City to lock in the same low rates through exercising this extension option. As the City's financial advisor for Electric and Water Funds, PFM works to ensure that the financing plan is the most beneficial to our residents and ratepayers.
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 Electric and Water Funds 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 \$20,000 for the continuation of Electric and Water financial advisory services outside of a bond transaction or similar debt obligation. These fees have been budgeted as debt related fiscal charges in funds

612500-487000 and 622500-487000. Should PFM 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 RPU-Related Debt