



# City Council Memorandum

*City of Arts & Innovation*

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**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 NHA ADVISORS, LLC., 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 NHA Advisors, LLC., 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 NHA Advisors, LLC., to extend the term to June 30, 2023; and
2. Authorize the City Manager, or their designee, to execute the Amendment with NHA 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 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 advisory team onboard for any Sewer Fund related financing needs.

The City has relied upon NHA as the primary advisor on debt financing for the Sewer Fund. NHA consulted on the 2018A Sewer Revenue Bonds Refunding. They also coordinated the 2020 Pension Obligation Bond issuance under a separate supplemental agreement. Throughout each of these deals, NHA worked closely with City Finance staff to guide the issuance process and coordinated presentations with rating agencies.

Should the services with NHA not be extended for an additional year, the City would lose cost savings benefits associated with holding the current low rates with NHA. If Council approves 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 services and is able to positively 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's Sewer Fund 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 within the sewer credit, 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** – NHA has not increased their fees since the beginning of this contract and are now only increasing the hourly rates slightly for the extension period. This allows the City to lock in the low rates through exercising this extension option. As the City's financial advisor for the Sewer fund, NHA 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.

### **FISCAL IMPACT:**

There is no anticipated fiscal impact to extend the Master Consultant Services Agreement through June 30, 2023. Should NHA 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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