



City Council Memorandum

City of Arts & Innovation

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TO: HONORABLE MAYOR AND CITY COUNCIL DATE: AUGUST 20, 2024

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: FIRST AMENDMENT TO THE AMENDED AND RESTATED PROFESSIONAL CONSULTANT SERVICES AGREEMENT WITH PFM FINANCIAL ADVISORS OF DELAWARE, IN AN ADDITIONAL AMOUNT OF \$75,000, FOR A TOTAL CONTRACT AMOUNT OF \$175,000

ISSUE:

Approve the First Amendment to the Amended and Restated Professional Consultant Services Agreements with PFM Financial Advisors of Delaware to provide the City with Financial Advisory Services related to the Inflation Reduction Act (IRA), in the additional amount of \$75,000, for a total contract amount of \$175,000.

RECOMMENDATIONS:

That the City Council:

1. Approve the First Amendment to the Amended and Restated Professional Consultant Services Agreement with PFM Financial Advisors, LLC of Delaware, to add \$75,000 for a total contract amount of \$175,000; and
2. Authorize the City Manager, or his designee, to execute the Amendment to the Professional Consultant Services Agreement with PFM Advisors LLC, including making minor and non-substantive changes.

BACKGROUND:

In the Fiscal Year 2022/23, the City issued Request for Proposal 2261, selecting PFM Financial Advisors as one of seven approved firms to provide financial advisory services for various debt and financial projects.

These projects encompass:

- Arbitrage and SWAP calculations
- Bond Issuance
- Continuing Disclosure Policies
- Credit Rating Presentations
- Line of Credit Renewals

- Remarketing Bonds

Engaging a team of advisors allows the City to leverage the most suitable firm for each specific project. Each firm's unique expertise aids the City in identifying innovative and sound financing solutions. The current agreement with PFM was executed on April 26, 2024 and will expire on June 30, 2028.

DISCUSSION:

The proposed amendment retains the existing contract term but seeks to increase the allocated compensation to engage the advisor for investment advisory services related to the Inflation Reduction Act (IRA) program.

The IRA program, a tax incentive direct payment program administered by the U.S. Department of the Treasury, subsidizes project costs associated with renewable energy and power generation.

On July 2, 2024, the Public Works department presented an Award Design-Build Agreement with Anaergia Services, LLC, for the rehabilitation of Digester No 5. This project aims to enhance the existing digester facilities/equipment, which use anaerobic digestion to decompose biodegradable materials, producing biogas and digestate as byproducts.

The digester's rehabilitation will enable the City to sell its natural gas and biochar, generating rental income. In consultation with the City's financial advisors and Anaergia, it was determined that this project aligns with the IRA program criteria. The full eligibility for the digester rehabilitation project is still under review, necessitating thorough research and discussions. Nonetheless, the anticipated IRA tax credit for the project is around \$2.5 million, with the possibility of an additional 10%-20% in bonus credits.

To ensure sufficient budget for advisory and financial guidance on this topic, staff proposes increasing the approved amount by \$75,000 to an amount not to exceed \$175,000 for financial advisory services related to the IRA program.

Purchasing Resolution 24101, Section 1104 states, "Unless otherwise specifically authorized by the Awarding Entity, Change Orders which cumulatively exceed the following will require Awarding Entity approval.... (a) 10% of the original contract price for Contracts and/or Purchase Orders for Goods, Services and Professional Services up to \$100,000."

The Purchasing Manager concurs that the recommended actions are in compliance with Purchasing Resolution No. 24101.

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 act as fiduciaries for the City of Riverside, providing specialized, certified expertise to ensure the City comprehends all risks and benefits of

various financing strategies and subsidy programs, and chooses the most financially advantageous path for residents, taxpayers, and ratepayers.

2. **Equity** – Competitive procurement was achieved through RFP 2261, issued on January 4, 2023. PFM Financial Advisors ranked highly among the nine qualified firms that submitted proposals.
3. **Fiscal Responsibility** – By employing a financial advisor to leverage the IRA subsidy program, the Finance department is securing federal funding to support the City’s renewable energy initiatives, thereby reducing the fiscal impact of these projects on City finances.
4. **Innovation** – Engaging a financial advisor enables the City to stay abreast of current laws, industry best practices, and federal subsidies, ensuring compliance with reporting and legislative requirements.
5. **Sustainability & Resiliency** – Working with a financial advisor allows the City to secure competitive rates for services and benefit from advisor’s familiarity with the City’s large and complex debt portfolio and financial profile. This historical knowledge is invaluable for managing Riverside’s various Enterprise Funds and Special Districts.

FISCAL IMPACT:

The total fiscal impact of this amendment is up to \$75,000. The total fiscal impact of the advisory services for the biogas project is unknown, as it depends on the services rendered for this specific project. Funding for the contract amendment is budgeted and available in the Sewer Fund, Digester V Rehab Project account number 9912423-440301.

Financial advisory services related to the biogas project would be offset by the anticipated IRA tax credit. At this point, the amount of the tax credit is unknown. Once this amount is quantified, staff will return to Council to appropriate the funding at a later date.

Prepared by:	Meline Carranza, Debt and Treasury Manager
Approved by:	Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Certified as to availability of funds:	Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by:	Edward Enriquez Assistant City Manager/Chief Financial Officer/Treasurer
Approved as to form:	Phaedra A. Norton, City Attorney

Attachments:

1. Amendment to Amended and Restated PCSA with PFM Financial Advisors, LLC