

**FIRST AMENDMENT TO THE
FIRST AMENDED AND RESTATED PROFESSIONAL CONSULTANT SERVICES
AGREEMENT**

PFM FINANCIAL ADVISORS LLC

Municipal Financial Advisory Services Panel (RFP No. 2261)

THIS FIRST AMENDMENT TO THE FIRST AMENDED AND RESTATED PROFESSIONAL CONSULTANT SERVICES AGREEMENT (“First Amendment”) is made and entered into this _____ day of _____, 2024, by and between the CITY OF RIVERSIDE, a California charter city and municipal corporation (“City”), and PFM ADVISORS LLC, a Delaware limited liability company authorized to do business in California (“Consultant”), with respect to the following facts:

RECITALS

WHEREAS, on or about July 26, 2023, City and Consultant entered into that certain Master Professional Consultant Services Agreement (“Master Agreement”); and

WHEREAS, on or about April 26, 2024, City and Consultant amended and restated the Master Professional Consultant Services Agreement as a Professional Consultant Services Agreement, and entered into that certain First Amended and Restated Professional Consultant Services Agreement (“Agreement”); and

WHEREAS, the City and Consultant desire for the Consultant to provide the City with financial advisory services related to the Inflation Reduction Act (IRA); and

WHEREAS, the City and Consultant desire to increase the total compensation amount of the Agreement by Seventy-Five Thousand Dollars (\$75,000.00), thereby raising the total sum of compensation allowed per the Agreement to an amount not to exceed One Hundred Seventy-Five Thousand Dollars (\$175,000.00).

NOW, THEREFORE, in consideration of the foregoing recitals, which are incorporated herein by this reference, City and Consultant agree as follows:

1. Section 1, “Scope of Services”, is hereby amended to incorporate that City agrees to retain and does hereby retain Consultant and Consultant agrees to provide the services more particularly described in Exhibit “A-1,” “Scope of Services (IRA)”, attached hereto and incorporated herein by reference.

2. Section 3, “Compensation/Payment”, is hereby amended to increase the total compensation amount by Seventy-Five Thousand Dollars (\$75,000.00), thereby raising the total sum of compensation under the Agreement to an amount not to exceed One Hundred Seventy-Five Thousand Dollars (\$175,000.00); and

3. Section 3, "Compensation/Payment", is hereby amended to incorporate the fee schedule set forth in Exhibit "B-1", "Compensation (IRA)", for work performed as per the terms of Exhibit "A-1", "Scope of Services (IRA)"; and

4. Section 35, "Exhibits", is hereby amended to incorporate the following exhibits to the Agreement by reference:

Exhibit "A-1" - Scope of Services (IRA)

Exhibit "B-1" - Compensation (IRA)

All other terms and conditions of the Agreement between the parties which are not inconsistent with the terms of this First Amendment, shall remain in full force and effect as if fully set forth herein.

[SIGNATURES ON NEXT PAGE.]

IN WITNESS WHEREOF, City and Consultant have caused this First Amendment to the First Amended and Restated Professional Consultant Services Agreement to be duly executed on the day and year first above written.

CITY OF RIVERSIDE, a California charter city and municipal corporation

PFM FINANCIAL ADVISORS LLC, a Delaware limited liability company authorized to do business in California

By: _____
Mike Futrell
City Manager

By: Darren Hodge

Attest: _____
Donesia Gause
City Clerk

Darren Hodge
Printed Name

Managing Director
Title

Certified as to Availability of Funds:

and

By: Kristin

Chief Financial Officer

By: Michael Berwanger (Jul 24, 2024 09:06 PDT)

APPROVED AS TO FORM:

Michael Berwanger
Printed Name

Managing Director
Title

By: Sean Murphy

Sean B. Murphy
Deputy City Attorney

EXHIBIT "A-1"
SCOPE OF SERVICES (IRA)



June 6, 2024

Edward Enriquez, Chief Financial Officer
City of Riverside
3900 Main Street, 6th Floor
Riverside, CA 92522

pfm

1820 East Ray Rd
Chandler, AZ
85225

pfm.com

Dear Edward:

We are pleased to submit this engagement letter to provide the City of Riverside (“City”) with financial advisory services related to the Inflation Reduction Act (IRA). The work for this assignment will be performed in accordance with this engagement letter and PFM Financial Advisors LLC’s (PFM’s) Financial Advisory contract with the City dated July 26, 2023.

We understand that the City has identified its biogas project as a potential opportunity for tax credits under the Inflation Reduction Act. The process to receive the tax credit is relatively complex and time consuming. PFM is currently assisting several municipal entities in navigating the evolving guidance from the U.S. Treasury and the Internal Revenue Service on the requirements for the application of incentives. We would be excited to assist the City with the tax credit application process.

The scope described in this proposal is applicable only to the biogas project and assumes an eligible project cost of the biogas project of approximately \$10.5 million.

This Engagement Letter defines the scope of services PFM will provide related to the IRA. The work completed under this project will be a collaborative effort amongst members of our financial advisory team including Darren Hodge and Chris Lover, with additional support provided by other professionals with specialized expertise related to the IRA, as necessary.

PFM will provide services as set forth in Exhibit A to this Engagement Letter. For the services described in Exhibit A, PFM’s professional fees will be paid as agreed in Exhibit A. To the extent the tax credit application is not submitted, PFM and the City will negotiate payment based on services rendered to the point at which the engagement was cancelled. PFM’s services will commence as soon as practicable after the execution of this Engagement Letter by the City.

In addition to the compensation for our services described above, PFM would expect to be reimbursed at cost for travel, meals, lodging, computer, communications, data, reproduction, graphics, express mail, legal fees and any other out of pocket expenses. Appropriate documentation and third party receipts will be provided with each invoice. If this arrangement is acceptable to you, please sign the attached page and return it to Darren.



June 6, 2024

Please feel free to reach out to Darren with any questions or comments. We look forward to continuing PFM's relationship with the City on this project.

Sincerely,

Darren Hodge
Managing Director

Chris Lover
Managing Director



Exhibit A: Scope of Work (Proposed Fixed Fee: \$75,000)

1. Education, Updates and Background. Provide education materials and up to three presentations to City staff and other stakeholders including elected leaders, if requested, regarding key provisions of the Inflation Reduction Act (IRA) relevant to City.
2. Lead the diligence effort that is necessary for the eventual, successful application of the Investment Tax Credit or Production Tax Credit once the project has reached Commercial Operation.
3. Coordinate with bond counsel, tax counsel, auditors (to include cost segregation firms) and other members of the financing team to address other legal and tax matters as they apply to the IRA.
4. As required, conduct necessary coordination and discussions with selected engineering firms to ensure these firms understand their role and responsibilities with IRA information requirements as they pertain to Davis-Bacon wages, apprenticeship programs and domestic content.
5. Lead and manage regularly scheduled meetings with the established “diligence team” to ensure efforts remain on track for the successful, application for the incentive.
6. The diligence team, in PFM’s experience, should include:
 - a. Procurement. It is critical that Contracts are reviewed to determine if all requirements of the Act are incorporated such as:
 - i. Provide proof of adherence to the Davis Bacon Act for labor and wages for the classes of laborers and mechanics on the jobsite
 - ii. Provide proof that the contractor (if more than four employees on the site) use or attempted to use a federally recognized apprenticeship program.
 - iii. Track and maintain records which demonstrate that orders for steel or iron and Manufactured Products Requirement are met in order to receive credit for domestic content. Recently released guidance from the U.S. Treasury indicates that, for the Direct Pay Option, applicable to municipal entities, domestic content is a requirement. City should follow the general recordkeeping requirements under the Internal Revenue Code section 6001 to document compliance.
 - b. Project Manager - Ensures the construction company / contractor is in compliance with all bid specifications for the requirements of the Act. The Project Manager is best positioned to request the Design-Builder submit required documentation to support domestic content bonus, certified payrolls and meeting apprenticeship requirements. We recommend that documentation



is provided to the Project Manager as soon as available and saved for future reporting needs.

- c. Legal. Given the significance of the key provisions, contracts should have indemnification language that, if the contractor fails to provide sufficient and adequate proof of compliance with fair wage and apprenticeship, there will be compensatory damages. PFM does not otherwise provide legal representation or advice.
- d. Human Resources. Provide guidance, expertise and oversight of how the contracted parties will adhere to the requirement of the Davis-Bacon Act Requirements and the determination of a fair wage across labor classifications.
- e. Accounting & Finance. Project codes should be identified in the accounting system to track internal employee hours directly linked to working on the planning, design and construction of the Project. In prior years, with incentives similar to the ITC, the entity that completed the project is permitted to embed the internal costs of person-hours associated with the project as part of project costs. Additionally, can provide knowledge and expertise on the resourcing of the project given the time delay between the start of construction, application submission and receipt of the incentive.
- f. Bond and Tax Counsel. Can assist with the interpretation of qualified costs as well as the ability to issue taxable or tax-exempt debt. Can also provide an opinion on the project's start construction date. This is a significant date to the U.S. Treasury as it will determine how the Key Provisions and other requirements are met as these generally become more stringent and burdensome overtime.
- g. Auditor (Cost Segregation). While it is PFM's prior experience that ~95% of a project's costs are considered "qualified costs", an auditor/cost segregator can provide their formal opinion (likely required with the application and required if audited in the future) of what project components are considered "qualified". The Cost Segregation could identify other components of the project that are "functionally interdependent" or necessary to ensure the synchronization of the project to the grid. Additionally, PFM has seen instances where a "profit margin" could be added to the qualified costs, reflecting the organization's risk, time and effort to develop the project and see to its completion and increasing the potential amount of the ITC received.
- h. Financial Advisor - PFM. As the municipal advisor, PFM will work with Audit and Finance team members, to assess how to structure the financing of the project. The responsibility to meet the "key provisions" and receive a significant increase in the "base" incentive is an important component – even with smaller projects. The inability of the developer to provide validation of meeting some or all of the key provisions can have a significant impact on the incentive received.



June 6, 2024

7. PFM will coordinate the process for the application of the ITC. While much of the information will come from outside sources (auditor/cost segregator, legal, tax, developers/contractors, procurement, finance), PFM will conduct the necessary meetings and put in place processes and disciplined structures to assist with the application of the incentive.
8. PFM will provide continuous updates to reflect ongoing U.S. Treasury guidance on the application process and impacts to the expected ITC.
9. Assist with the registration of the project in the applicable database/portal.
10. If necessary, provide supporting data and information throughout the application review process to U.S. Treasury to support the submission.

EXHIBIT "B-1"
COMPENSATION (IRA)



June 6, 2024

Edward Enriquez, Chief Financial Officer
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Riverside, CA 92522

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