

Agenda Report

January 10, 2022

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Water and Power Department

SUBJECT: AUTHORIZATION TO ENTER INTO A CONTRACT WITH PFM FINANCIAL ADVISORS LLC FOR INDEPENDENT REGISTERED MUNICIPAL ADVISOR SERVICES FOR THE WATER AND POWER DEPARTMENT FOR A PERIOD OF THREE YEARS, WITH TWO OPTIONAL ONE YEAR EXTENSIONS FOR A TOTAL AMOUNT NOT TO EXCEED \$250,000

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not a project subject to the California Environmental Quality Act (CEQA) pursuant to Section 21065 of CEQA and Sections 15060(c)(2), 15060(c)(3), and 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project; and
2. Authorize the City Manager to enter into a contract, as the result of a competitive selection process, as specified by Section 4.08.047 of the Pasadena Municipal Code, with PFM Financial Advisors LLC for three years in an amount not to exceed \$150,000 with two optional one-year extensions not to exceed \$50,000 each, subject to the approval of the City Manager. Competitive bidding is not required pursuant to City Charter Section 1002(F) (contracts for professional or unique services).

BACKGROUND:

The Water and Power Department ("PWP") is responsible for the operations and activities of the City of Pasadena's ("City") Electric System and Water System ("System" or collectively, "Systems"), which provide electric and water services to nearly all customers within the City limits and water service to some customers outside the City limits.

PWP requires the services of an Independent Registered Municipal Advisor (“IRMA”) to act as an objective financial advisor and economic market expert to provide advice and assistance on existing and new debt issuances, financing structures, and timing of debt issuance; including but not limited to pricing, call provision options, and rating agency strategy. The IRMA is also expected to provide support services to coordinate the administration and issuance of debt. The services include communication with rating agencies, coordination with bond and tax counsel in advance of securities offerings to ensure acceptance of the financing structure and to deliver an unqualified opinion and tax certificate, and assist in negotiations with bond insurers and/or letter of credit providers. These services require an IRMA to perform as a fiduciary with the required registrations and certifications of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board.

Furthermore, the IRMA is expected to provide continuing updates and advice on the impact of current or proposed state or federal legislation and market conditions that could affect PWP's financial plans, identify options that balance varying priorities and risks, and perform other financial advisory services as needed including advising PWP on debt refunding opportunities.

REQUEST FOR PROPOSALS AND PROPOSAL EVALUATION

On August 4, 2021, PWP issued a Request for Proposals (“RFP”) for Independent Registered Municipal Advisor services which was posted on PlanetBids. To support the participation of Pasadena businesses, staff sent email communications to over 100 Pasadena businesses whose PlanetBids registration profiles most closely matched the scope of work in the RFP. The direct communications ensured that local businesses were notified about the solicitation and provided them with the opportunity to contact the city with any detailed questions about the City's procurement procedures.

- On July 27, 2021, staff sent emails to over 100 Pasadena businesses with general information of the scope of work from the RFP in advance of the formal issuance.
- On August 3, 2021, an additional email communication was sent to Pasadena businesses to announce the formal issuance of the solicitation.
- On August 5, 2021, a third email communication was sent to Pasadena businesses to confirm that the RFP had been officially issued.

Fifteen prospective proposers downloaded the RFP, none of which were located in Pasadena. Despite the additional outreach, no Pasadena businesses responded to the RFP. The deadline for RFP submissions was August 26, 2021.

Three qualified professional firms responded and submitted proposals by the August 26, 2021 deadline:

1. Public Financial Management (“PFM”) Financial Advisors LLC, Los Angeles, CA
2. Public Resources Advisory Group (“PRAG”), Los Angeles, CA
3. Fieldman, Rolapp & Associates, Inc. (“Fieldman”), Irvine, CA

The proposals were evaluated by a panel of four staff members from PWP and the Department of Finance based on the specific criteria stated in the RFP. The scoring for all the responding firms is provided in the following table:

Evaluation Criteria	Max Point per Criteria	Average Score		
		PFM	PRAG	Fieldman
Total	100	87.25	85.76	69.56

PWP conducted follow-up interviews with the two highest scoring firms and determined that PFM provided a broader range of relevant experience and access to more extensive services and staff. Based upon the scoring of the responses to the RFP and the results of the interview process, staff is recommending the award of an IRMA contract to PFM.

It is recommended that PFM be awarded a contract in an amount not to exceed \$150,000 for an initial period of three years with two optional one-year extensions not to exceed \$50,000 per year subject to the approval of the City Manager. The amount is based on an estimated 150 service hours per year, although the actual hours in a given year may vary based on specific needs for support. The service hours would cover advisory activities not related directly to bond transactions and would be used only as needed for specific services rendered. Fees related directly to bond issuances will be assessed separately and included in the cost of issuance for the transaction. PFM has no prior contracts with the City of Pasadena. The Finance and Administration division of PWP will be responsible for managing the contract and will review all invoices for services provided by PFM to ensure completion of work and accuracy of the invoices.

The proposed contract fully complies with the Competitive Bidding and Purchasing Ordinance P.M.C. 4.08 and the rules and regulations promulgated thereunder. The proposed contract will be managed by staff in the PWP Finance and Administration Division.

COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic goal to maintain fiscal responsibility and stability.

ENVIRONMENTAL ANALYSIS:

The proposed contract for an independent financial advisor and economic market expert to provide advice and assistance on existing and new debt issuances to PWP is an administrative action that would not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Therefore, the proposed action is not a "project" subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:

The total cost of this action, including the two optional extensions, is \$250,000 over a five-year term. This amount includes \$150,000 for the initial three-year term, and \$50,000 for each one year extension for a total maximum contract cost of \$250,000. Funding for this action will be addressed by the utilization of current and future year budgeted appropriations in Water Operating Fund (Account 42107980-811500) and Power Operating Fund (Account 42109230-811500).

Contract Amount – Initial Three Year Term	\$ 150,000
Water – Acct 42107980-811500	\$ 52,500
Power – Acct 42109230-811800	\$ 97,500
Initial Term Total	\$ 150,000
Two optional one year extensions (\$50,000 per year)	\$ 100,000
Water – Acct 42107980-811500	\$ 35,000
Power – Acct 42109230-811800	\$ 65,000
Two one-year extensions Total	\$ 100,000
Total Fiscal Impact for Five Years	\$ 250,000

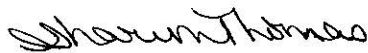
Respectfully submitted,



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Attachments: (1)
Attachment A: Criteria Scoring Summary