CONSENT AGENDA

AGENDA ITEM 12.3
October 18, 2011

TO: Mayor and City Council

FROM: Susan Mayer, Chief Financial Officer

SUBJECT: RESOLUTION AUTHORIZING A CHANGE ORDER TO THE PROFESSIONAL SERVICES CONTRACT FOR DEBT ADMINISTRATION WITH DEL RIO ADVISORS, LLC

RECOMMENDATION

It is recommended that the City Council adopt findings and authorize a change order to the contract with Del Rio Advisors, LLC to provide debt administration services. The change order increases the contract from $30,000 to $92,000.

Summary

A contract with Del Rio Advisors, LLC was entered into on March 14, 2011, to provide interim debt administration services for the Administrative Services Department. The original contract amount was not to exceed $30,000. The proposed change order will extend the contract term through June 30, 2012. The need for these services continues during the recruitment period to back fill management vacancies in the department. Debt administration services are particularly important at this time to support investor relations since the City's renewed declaration of fiscal emergency on May 17, 2011.

DISCUSSION

Background

Kenneth Dieker is a sole proprietor with Del Rio Advisors in Modesto with a long history of involvement with the City's debt portfolio. He has established a positive service record with both the Administrative Services and Municipal Utilities Departments. Del Rio Advisors, LLC was selected for the Financial Advisors vendor pool in 2006, and served as the Financial Advisor on the recent Delta Water Project bond sale.

Present Situation

There are six management level vacancies in the Administrative Services Department, leaving the City in urgent need of financial and debt administration
services. Del Rio Advisors, LLC has been providing interim debt administration services since March 2011. Mr. Dieker is familiar with the City of Stockton’s debt structure, fiscal situation, and capital market reporting requirements. Staff are satisfied with the quality of work Mr. Dieker produces.

The scope of contract includes current debt administration, review continuing disclosures, development of 5-year debt budget for debt payments and associated administrative costs, facilitate City’s investor relations, analysis of potential debt restructure scenarios and provide weekly update to Chief Financial Officer on activities and upcoming action items.

The combined total for services exceeds the City Manager’s Charter Authority for contract services. The total amount of services, including the original contract, will not exceed $92,000.

Findings

Stockton Municipal Code Section 3.68.070 provides an exception to the competitive bidding process in cases where the City Council has approved findings that support and justify the exception. The findings are as follows:

- On May 17, 2011, the City Council declared a State of Emergency due to fiscal circumstances. This condition has increased required capital market reporting requirements and increased communication from the City’s bondholders and credit providers.

- Due to vacancies within the Administrative Services Department, there is an immediate need to supplement debt administration services to handle the increase in investor interest until the City’s fiscal condition is stabilized.

- Del Rio Advisors, LLC is one of the financial advisors in the City’s vendor pool, has served as financial advisor on several recent City debt issues, has established good working relations with City staff, and produces a high quality of work.

- There is insufficient time to issue a Request for Proposal to procure these services due to the City’s fiscal situation, recent rating downgrades, and need to provide services to our investors.
RESOLUTION AUTHORIZING A CHANGE ORDER TO THE PROFESSIONAL SERVICES CONTRACT FOR DEBT ADMINISTRATION WITH DEL RIO ADVISORS, LLC

FINANCIAL SUMMARY

A Program Manager II position designated for debt administration was approved and funded in the 2011/12 adopted budget. This contract costs less per month than the budgeted position and will be paid from the vacancy savings. Funds have been budgeted in the following accounts:

<table>
<thead>
<tr>
<th>Code</th>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>010-1310-510</td>
<td>(10%)</td>
<td>$6,200</td>
</tr>
<tr>
<td>201-2001-510</td>
<td>(90%)</td>
<td>$55,800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$62,000</strong></td>
</tr>
</tbody>
</table>

Respectfully submitted,

[Signature]

SUSAN MAYER  
CHIEF FINANCIAL OFFICER

APPROVED

[Signature]

LAURIE MONTES  
DEPUTY CITY MANAGER

SM:lb

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Resolution No. __________

STOCKTON CITY COUNCIL

RESOLUTION ADOPTING FINDINGS AND APPROVING CHANGE ORDER NO. 1 TO THE CONTRACT WITH DEL RIO ADVISORS, LLC, IN AN AMOUNT NOT TO EXCEED $62,000, FOR DEBT ADMINISTRATION SERVICES

The City Council has adopted goals for Fiscal Year 2011-2012, one of which is Fiscal Sustainability – getting our fiscal house in order; and

Stockton Municipal Code (SMC) section 3.68.070 provides for an exception to the competitive bidding process for professional services. The findings as presented support and justify exceptions to the bidding process; now, therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. Pursuant to the requirements of SMC section 3.68.070, the City Council adopts the following findings to support authorization of a professional services contract with Del Rio Advisors, LLC:

   - On May 17, 2011, the City Council declared a State of Emergency due to fiscal circumstances. This condition has increased required capital market reporting requirements and increased communication from the City's bondholders and credit providers.

   - Due to vacancies within the Administrative Services Department, there is an immediate need to supplement debt administration services to handle the increase in investor interest until the City's fiscal condition is stabilized.

   - Del Rio Advisors, LLC, is one of the financial advisors on the City's vendor pool, has served as financial advisor on several recent City debt issues, has established good working relations with City staff, and produces a high quality of work.

   - There is insufficient time to issue a Request for Proposal to procure these services due to the City's fiscal situation, recent rating downgrades, and need to provide services to our investors.

2. Based on these findings and pursuant to SMC section 3.68.070, the City Council hereby declares that an exception to the competitive bidding process is justified.
3. The services provided by Del Rio Advisors, LLC, are consistent with the City Council's adopted Goals and the firm possesses the capability to address the required actions.

4. Change Order No. 1, in an amount not to exceed $62,000, between the City of Stockton and Del Rio Advisors, LLC, is approved and the City Manager is authorized to execute it on behalf of the City of Stockton, a copy of which is attached hereto as Exhibit 1 and incorporated by this reference.

5. The City Manager is authorized and directed to take such other actions as are appropriate to carry out the purpose and intent of this Resolution.

PASSED, APPROVED, and ADOPTED October 18, 2011.

ANN JOHNSTON, Mayor
of the City of Stockton

ATTEST:

BONNIE PAIGE, City Clerk
of the City of Stockton
CITY OF STOCKTON

Contract Change Order No. 1

PROFESSIONAL SERVICES CONTRACT FOR DEBT ADMINISTRATION

Original Contract Price $30,000
CCO No. 1 $62,000
Revised Contract Price $92,000

TO Del Rio Advisors (Contractor). You are hereby directed to make the herein described changes from the plans and specifications or do the following described work not included in the plans and specifications of this contract.

ADDITIONAL WORK PERFORMED FOR ABOVE REFERENCED PROJECT

Scope of services to remain the same. Change order to increase contract amount and duration of original contract.

We, the undersigned contractor, have given careful consideration to the change proposed and hereby agree, if this proposal is approved that we will provide all equipment, furnish all materials, except as may otherwise be noted above, and perform all services necessary for the work above specified, and will accept as full payment therefore the prices shown above.

By reason of this proposed change, 5 days extension of time will be allowed.

Accepted Date ________________________________

(Contractor)

By ________________________________

Title ________________________________

Note: This change order is not effective until approved by the City Manager or if under Council approved limits, Department Director.

*Increase
Total cost of change not to exceed $ 62,000

Submitted By Susan Mayer
Project Manager

Reviewed for Construction N/A
(if applicable)

Approval Recommended:

By ________________________________

Do the changes above have any potential impact on the use of Public Facility Fees and/or other restricted funding sources? (Circle One) YES/NO

If Yes, Budget Officer or designee to verify available funding

Available funding verified ________________________________

Name and Title ________________________________

Date Approved ________________________________

Dept Head Name and Title ________________________________

Bob Deis, City Manager

Approved - City Council Resolution No. ________________________________

APPROVED AS TO FORM & CONTENT:
OFFICE OF THE CITY ATTORNEY

BY ________________________________

CITY ATTORNEY

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