



STAFF REPORT

Report To: Board of Supervisors

Meeting Date: 6/2/16

Staff Contact: Nancy Paulson, Chief Financial Officer

Agenda Title: For Possible Action: To adopt a Resolution authorizing one or more installment-purchase agreements for the purpose of financing the cost of a building project; directing the City's Chief Financial Officer to forward materials to the Department of Taxation of the State of Nevada; authorizing the City's Chief Financial Officer to execute such installment-purchase agreement or agreements; and providing the effective date hereof. (Nancy Paulson, npaulson@carson.org)

Staff Summary: The Board of Supervisors of Carson City, Nevada proposes to enter into one or more installment-purchase agreements in a collective, maximum aggregate principal amount up to \$5,300,000 in order to finance all or a portion of the cost to acquire, improve, and equip a building project as defined in NRS 244A.019. The resolution is hereby designated by the short title the "2016 Installment-Purchase Agreements Authorization Resolution". This resolution allows the City's Chief Financial Officer to take all action necessary to effectuate the provisions of this resolution, including, without limitation, forwarding all necessary documents to the Department of Taxation and, if necessary, update the City's plan for capital improvement to include the project.

Pursuant to NRS 350.087, this Resolution must be adopted by a two-thirds vote of the Board of Supervisors.

Agenda Action: Formal Action/Motion

Time Requested: 30 minutes

Proposed Motion

I move to adopt Resolution #_____, a Resolution authorizing one or more installment-purchase agreements for the purpose of financing the cost of a building project; directing the City's Chief Financial Officer to forward materials to the Department of Taxation of the State of Nevada; authorizing the City's Chief Financial Officer to execute such installment-purchase agreement or agreements; and providing the effective date hereof.

Board's Strategic Goal

Sustainable Infrastructure

Previous Action

- On October 1, 2015, the Board of Supervisors approved contract 1415-123 with Ameresco, Inc. to perform a financial grade energy audit for the Carson City Performance Contract 2015 Project.

Background/Issues & Analysis

Applicable Statute, Code, Policy, Rule or Regulation

NRS Chapters 350, 244A and 332

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number: Estimated annual debt service payments of \$115,000 to \$427,000 from the General Fund for a period of not more than 21 years to be offset by guaranteed energy savings and estimated operating and maintenance savings from the General Fund.

According to NRS 332.370, a performance contract must be structured to guarantee operating cost savings, which includes, without limitation, the design and installation of equipment, the operation and maintenance, if applicable, of any of the operating cost-savings measures and the guaranteed annual savings which must meet or exceed the total annual debt service payments to be made by the local government including any financing charges to be incurred by the local government over the life of the performance contract.

Is it currently budgeted? Yes No

Explanation of Fiscal Impact:

Alternatives

Elect to not pursue the financing and not proceed with the performance contract.

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

Summary - a resolution authorizing one or more installment-purchase agreements and authorizing the City's Chief Financial Officer to execute the same.

RESOLUTION NO. _____

A RESOLUTION AUTHORIZING ONE OR MORE INSTALLMENT-PURCHASE AGREEMENTS FOR THE PURPOSE OF FINANCING THE COST OF A BUILDING PROJECT; DIRECTING THE CITY'S CHIEF FINANCIAL OFFICER TO FORWARD MATERIALS TO THE DEPARTMENT OF TAXATION OF THE STATE OF NEVADA; AUTHORIZING THE CITY'S CHIEF FINANCIAL OFFICER TO EXECUTE SUCH INSTALLMENT-PURCHASE AGREEMENT OR AGREEMENTS; AND PROVIDING THE EFFECTIVE DATE HEREOF.

WHEREAS, the Board of Supervisors of Carson City, Nevada (the "Board", "City", and "State", respectively) proposes to enter into one or more installment-purchase agreements (each, an "Agreement," and collectively, the "Agreements") in a collective, maximum aggregate principal amount of \$5,300,000 (i.e., the aggregate principal amount of all such installment purchase agreements, when added together, shall not exceed \$5,300,000) pursuant to NRS 350.087 to 350.095, inclusive (the "Agreement Act"), in order to finance all or a portion of the costs of acquiring, improving, and equipping a "building project" (as defined in NRS 244A.019) in the City (the "Project"); and

WHEREAS, the Board has determined that legally available funds of the City will at least equal the amount required in each year for the payment of interest and principal on such Agreement or Agreements; and

WHEREAS, a notice of intention to act upon the resolution authorizing such Agreement or Agreements has been duly published in a newspaper of general circulation in the City not less than 10 days prior to the date hereof pursuant to NRS 350.087, and an affidavit evidencing such publication is attached as Exhibit C to this resolution; and

WHEREAS, all comments made at the public hearing held on the date of this resolution have been duly considered by the Board and the minutes of such public hearing are attached as Exhibit B to this resolution; and

WHEREAS, the Board proposes to enter into the Agreement with a term of more than 10 years, requiring the Board, pursuant to NRS 350.014, to submit to the Carson City Debt

Management Commission (the "Commission") for its approval or disapproval the following proposal:

INSTALLMENT-PURCHASE AGREEMENT PROPOSAL:

Shall the Board of Supervisors of Carson City in the State of Nevada, be authorized to enter into one or more installment-purchase agreements in a collective aggregate principal amount not to exceed \$5,300,000 (i.e., the aggregate principal amount of all such installment purchase agreements, when added together, shall not exceed \$5,300,000) for the purpose of financing, wholly or in part, the cost of acquiring, improving and equipping a building project as defined in NRS 244A.019 in the City, each such installment-purchase agreement to mature not later than 21 years from the date it is entered into, each such installment purchase agreement to bear interest at a rate or rates not in excess of the statutory maximum rate in effect at the time such installment-purchase agreement is entered into, each such installment-purchase agreement by its terms to be extinguished by failure of the Board to appropriate money for the ensuing fiscal year for payment of the amounts then due, each such installment purchase agreement to be payable from legally available funds of the City, each such installment purchase agreement to be secured by a security interest in property of the City as provided in NRS 350.800, and each such installment purchase agreement to be entered into upon such terms and conditions, and with such other details as the Board may determine?

(the "Proposal"); and

WHEREAS, before entering into an installment-purchase agreement with a term of more than 10 years, the Commission must approve the Proposal; and

WHEREAS, subsection 1 of NRS 350.014 provides, in relevant part, as follows:

"1. Before entering into an installment-purchase agreement with a term of more than 10 years, the proposed incurrence . . . must receive the favorable vote of two-thirds of the members of the [debt management] commission of each county in which the municipality is situated. . . ."; and

WHEREAS, subsection 1 of NRS 350.0145 provides, in relevant part, as follows:

"1. The governing body of the municipality proposing to enter into an installment-purchase agreement with a term of more than 10 years. . . shall notify the secretary of each appropriate commission, and shall submit a statement of its proposal in sufficient number of copies for each member of the commission."

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF CARSON CITY, NEVADA:

Section 1. This resolution is hereby designated by the short title the “2016 Installment-Purchase Agreements Authorization Resolution.”

Section 2. The Clerk - Recorder is hereby authorized and directed to notify the Secretary of the Carson City Debt Management Commission (“Commission”) of the Proposal; to submit to said Secretary a statement of the Proposal in sufficient number of copies for each member of the Commission; and to request the Commission to consider and approve the Proposal.

Section 3. The Board hereby finds and determines that the public interest requires the City to enter into one or more Agreements to finance the Project in a collective, aggregate principal amount not to exceed \$5,300,000.

Section 4. The facts upon which the finding stated in Section 3 above are:

(a) There is a need to provide energy conservation projects for public buildings in the City and thereby improve services to residents in the City.

(b) It is in the best interests of the City and its residents, and would best serve the public interest thereof, if the Project is now accomplished, thereby assisting in alleviating the needs mentioned in (a) above.

(c) It is not feasible to finance the Project from other funds of the City, among other reasons because of restraints on the City’s budget for the current fiscal year and other demands on and needs for existing funds of the City.

Section 5. The City proposes to borrow a sum not to exceed \$5,300,000 at an annual interest rate of approximately 4.75%, without taking any direct interest subsidy payments from the Federal government into account, to be repaid over a period of not more than 21 years. Each Agreement shall evidence a transaction described in NRS 350.800, which is payable not later than 21 years after the date of issuance and shall contain a provision that such Agreement by its terms is extinguished by failure of the Board to appropriate money for the ensuing fiscal year for payment of the amounts then due. In addition to or as a substitute for granting a security interest in the Project financed, each Agreement may be secured by a security interest in other property subject to the provision of NRS 350.800. If determined to be necessary by the City’s Chief Financial Officer (the “Chief Financial Officer”), the Chief Financial Officer is hereby authorized to arrange for a deed of trust on properties of the City subject to ratification and approval by the Board. The

term of each Agreement of a maximum of 21 years does not exceed the estimated weighted average useful life of the portion of the Project being financed with such Agreement, and the interest rate applicable to each Agreement shall in no event exceed by more than 3 percent the “Index of Revenue Bonds” which is most recently published before the City enters into such Agreement. Each such Agreement shall be issued as an installment-purchase agreement as provided in the Agreement Act and NRS 350.800 (the “Act”).

Section 6. The Agreements are not proposed to be repaid in whole or in part by the levy of a tax which is exempt from the limitations on taxes ad valorem. The Agreements are anticipated to be repaid from other legally available funds of the City, including, without limitation, monies in the City’s General Fund in the estimated annual amount of \$115,000 to \$427,000 for a period of not more than 21 years.

Section 7. As set forth in the materials provided by JNA Consulting Group, LLC (the “Financial Advisor”) hereby incorporated by reference and attached as Exhibit D hereto, the interest rate for financing the Project with the Agreements is generally greater as compared to a general obligation bond or revenue bond of the City. The payments on the proposed Agreements are expected to be paid from the utility savings through fiscal year 2037 generated within the general fund by the completion of the energy projects. The authorization process for revenue backed general obligations or voter approved general obligations would be anticipated to take approximately five to seven months to complete. The City anticipates being able to execute and deliver the proposed Agreements within three months. If the City were to finance the project with a medium-term general obligation bond, the annual debt service on the bond would exceed the utility savings identified for repayment as a medium-term bond is limited to a term of no more than ten years. Additionally, it is possible that interest rates will increase before the revenue backed general obligations, voter approved general obligations or medium-term obligations would be able to be issued and possibly result in a higher interest cost to the City. For these reasons, the Financial Advisor has advised the City that the use of the Agreements as the method of financing for the Project is prudent.

Section 8. The Chief Financial Officer, on behalf of the City, or designee is hereby authorized to arrange for the execution and delivery of the Agreements in a collective, aggregate principal amount not to exceed \$5,300,000, and to carry out the Project, subject to ratification by Board. The Agreements issued to finance the Project shall be issued on such other terms and conditions as the Board determines, all as provided in Agreement Act, the Act and NRS

350.500 to 350.720, inclusive (the “Bond Act”), and as authorized by the Chief Financial Officer or the City Manager at the time of the execution and delivery of each Agreement and thereafter ratified by the Board as set forth in a resolution or ordinance, and any other necessary details including the execution and delivery of deeds of trust and an indenture of trust, if any.

Section 9. The Chief Financial Officer is authorized and directed to take all action necessary to effectuate the provisions of this resolution, including, without limitation, (i) forwarding all necessary documents to the Executive Director, Department of Taxation, Carson City, Nevada, and, if necessary, updating the City’s plan for capital improvement to include the Project, and (ii) preparing, executing and submitting any and all necessary applications or requests to the State and/or local governments within the State for the re-allocation of volume cap in connection with funding all or part of the Project through the issuance of Qualified Energy Conservation Bonds (“QECBs”) under the Internal Revenue Code (the “Code”) and IRS Notice 2008-29, as amended (the “Notice”). The City intends to finance all, part or none of the Project with QECBs, and the expenditure of proceeds of the QECBs, if any, will be used for one or more “qualified conservation purposes” as provided in the Code and the Notice. The City represents that it is in compliance with the applicable provisions of law, including, without limitation, the provisions of Chapter 354 of NRS.

Section 10. The Chief Financial Officer is authorized to update or amend the City’s plan for capital improvements if necessary to reflect the Project and the Agreements and the Project to be financed thereby and to file the information as required by NRS 350.013 to the extent required to comply with NRS 350.013.

Section 11. This resolution, except for Sections 2, 8, 9 and 10 hereof, shall become effective upon the approval by the Executive Director of the Department of Taxation of the State of Nevada and the Commission. Sections 2, 8, 9 and 10 of this resolution shall be effective upon passage and approval.

PASSED AND ADOPTED BY AN AFFIRMATIVE VOTE OF AT LEAST TWO-THIRDS OF THE BOARD OF SUPERVISORS OF THE CITY OF CARSON CITY, NEVADA, THIS JUNE 2, 2016.

(SEAL)

ROBERT L. CROWELL, Mayor
Carson City, Nevada

Attest:

SUSAN MERRIWETHER, Clerk - Recorder

STATE OF NEVADA)
) ss.
CITY OF CARSON CITY)

I am the duly chosen, qualified and acting Clerk - Recorder of Carson City (the "City"), in the State of Nevada, and do hereby certify:

1. The foregoing pages constitute a true, correct, complete and compared copy of a resolution of the Board of Supervisors (the "Board") adopted at a meeting of the Board held on June 2, 2016.

2. The members of the Board voted on the resolution as follows:

Those Voting Aye:

Those Voting Nay:

Those Absent:

3. The original of the resolution has been approved and authenticated by the signatures of the Mayor of the City and myself as Clerk - Recorder and has been recorded in the minute book of the Board kept for that purpose in my office, which record has been duly signed by the officers and properly sealed.

4. All members of the Board were given due and proper notice of such meeting. Public notice of such meeting was given and such meeting was held and conducted in full compliance with the provisions of NRS 241.020. A copy of the notice of meeting and excerpts from the agenda for the meeting relating to the resolution, as posted no later than 9:00 a.m. on the third working day prior to the meeting on the City's website, the State of Nevada's official website, and at:

- (i) Community Center
 851 East William Street
 Carson City, Nevada

- (ii) Public Safety Complex
885 East Musser Street
Carson City, Nevada
- (iii) City Hall
201 North Carson Street
Carson City, Nevada
- (iv) Carson City Library
900 North Roop Street
Carson City, Nevada
- (v) Business Resource & Innovation Center (BRIC)
108 East Proctor Street
Carson City, Nevada

is attached as Exhibit "A."

5. At least 3 working days before such meeting, such notice was delivered to each member of the Board and to each person, if any, who has requested notice of meetings of the Board in accordance with the provisions of Chapter 241 of NRS.

6. A public hearing on the proposed installment-purchase agreement was held by the Board immediately before adoption of the authorization resolution, and the minutes of the meeting are attached hereto as Exhibit "B." A copy of the affidavit of publication evidencing publication at least 10 days in advance of the public hearing of the notice of intent to authorize installment-purchase agreement is attached hereto as Exhibit "C." The materials provided by the Financial Advisor comparing the cost of financing methods is attached hereto as Exhibit "D."

IN WITNESS WHEREOF, I have hereunto set my hand this June 2, 2016.

SUSAN MERRIWETHER, Clerk - Recorder

EXHIBIT A

(Attach Notice of Meeting)

EXHIBIT B

(Attach Minutes of Public Hearing)

EXHIBIT C

**(Attach Affidavit of Publication of Notice of Intention
to Authorize Installment-Purchase Agreements)**



NEVADA APPEAL

580 Mallory Way, Carson City, NV 89701
P.O. Box 1888 Carson City, NV 89702
(775) 881-1201 FAX: (775) 887-2408

Customer Account #: 1065266

Legal Account

CARSON CITY FINANCE DEPARTMENT,
201 N. CARSON STREET, SUITE #3
CARSON CITY, NV 89701
Attn: Nancy Paulson

Kristin Ritter says:

That (s)he is a legal clerk of the
Nevada Appeal,
a newspaper published Tuesday through Sunday
at Carson City, in the State of Nevada.

Copy Line

PN to ISS Installment Purchase

PO#:

Ad #: 0000012840-01

of which a copy is hereto attached, was published
in said newspaper for the full required period of
1 time(s) commencing on **05/22/2016**,
and ending on **05/22/2016**, all days inclusive.



Signed: _____

Date: 05/23/2016 State of Nevada, Carson City

Price: \$ 217.28

Proof and Statement of Publication

Ad #: 0000012840-01

**NOTICE OF INTENTION TO ACT UPON A
RESOLUTION AUTHORIZING ONE OR MORE
INSTALLMENT-PURCHASE AGREEMENTS BY
CARSON CITY, NEVADA**

NOTICE is hereby given that the Board of Supervisors of Carson City, Nevada (the "Board" and "City," respectively) will hold a public hearing at a regular meeting to be held on Thursday, June 2, 2016, at the hour of 8:30 a.m. at the Community Center, 851 East William Street, Carson City, Nevada, to act upon a resolution authorizing one or more installment-purchase agreements in a collective, maximum aggregate principal amount of \$5,300,000 (i.e., the aggregate principal amount of all such installment purchase agreements, when added together, shall not exceed \$5,300,000), each with a maximum term of 21 years, to enable the Board to pay all or a portion of the cost of acquiring, improving, and equipping a building project as defined in NRS 244A.019 in the City.

The installment-purchase agreement or agreements are not proposed to be repaid in whole or in part by the levy of a tax which is exempt from the limitations on taxes ad valorem. The installment-purchase agreement or agreements are anticipated to be repaid from other legally available funds of the City, including, without limitation, monies in the City's General Fund in the estimated annual amount of \$115,000 to \$427,000, for a period of not more than 21 years.

The form of the resolution authorizing such installment-purchase agreement or agreements, to be considered by the Board after such hearing, and other information concerning such installment-purchase agreement or agreements and the purpose for which such installment purchase agreement or agreements are proposed to be used, may be examined in the office of the Carson City Clerk, 201 North Carson Street, Suite No. 1, Carson City, Nevada. All persons are invited to attend and to be heard regarding the proposed action. Prior to the hearing, written comments may be filed with the Carson City Clerk at the aforementioned address.

By order of the Board of Supervisors of the City of Carson City, Nevada.

CARSON CITY, NEVADA
/s/ Nick Marano
City Manager

Pub: May 22, 2016

AD# 0000012840

EXHIBIT D

**(Attach Financial Advisor Materials
Comparing Costs of Financing Methods)**



JNA Consulting Group, LLC

Independent Public Finance Advisors

MEMORANDUM

To: Nancy Paulson, Chief Financial Officer, Carson City, Nevada

From: JNA Consulting Group, LLC

Date: May 19, 2016

RE: Comparison of Financing Costs for Installment Purchase Agreement

As part of the issuance process for financing the purchase of energy efficiency improvements and equipment by the City, we are required to provide a report to the City regarding the cost of financing the project with an installment purchase agreement as compared to general obligation bonds. In general, the interest rate for an installment purchase agreement is greater than a general obligation or revenue bond of the City. The following information shows the tentative payment schedule of the installment purchase agreement and describes the challenges of using general obligation bonds.

The payments on the proposed installment purchase agreement will be made from the utility savings generated within the general fund by the completion of the energy projects. The City expect utility savings from the installation of the energy projects through fiscal year 2037. The proposed structure of the installment purchase agreement is to issue a principal amount of up to \$5,300,000 with an estimated interest rate of 4.75%. The City will make semiannual principal and interest payments that will repay the balance of the financing by its maturity in fiscal year 2037. The table on page 3 of this memo shows the estimated annual debt service payments of the installment purchase agreement.

Financing alternatives to the proposed installment purchase agreement include:

- General obligation bonds additionally secured by pledged consolidated tax revenues
- Medium-term general obligation bonds
- Voter-approved general obligation bonds

The City is projected to have sufficient capacity using general obligation bonds additionally secured by pledged consolidated tax revenues ("C-Tax Bonds"). Authorizing and issuing C-Tax Bonds is anticipated to require five to six months to complete, however. The City will be able to issue the proposed installment purchase agreement within three months. It is possible that interest rates will increase before the C-Tax Bonds can be issued. A medium-term general obligation bond is limited to a term of no more than ten years, which will cause the annual debt service on the bond to greatly exceed the utility savings identified for its repayment. If the City were to pursue the financing by way of voter approved general obligation bonds, the City would need to wait until the November 2016 election for voter approval of such bonds. This would result in a delay of several months compared to the installment purchase agreement. It is possible that interest rates will be higher at that time and therefore result in an increased cost to the City.

While general obligation bonds typically result in lower annual interest costs, such bonds could not be issued until December 2016 or would cause the annual payments to exceed the identified repayment resource. Due to the risk of increased interest rates which result from the authorization process required to issue general obligation bonds, it would seem prudent to use the installment purchase agreement as the method of financing.

If you have any questions, please contact John Peterson at 702-294-5100.

PRO-FORMA DEBT SERVICE SCHEDULE
Installment Purchase Agreement

Fiscal Year	Principal	Interest ¹	Total Annual Payment
2017 ²	\$ 0	\$115,682	\$115,682
2018	141,000	250,088	391,088
2019	149,000	243,295	392,295
2020	159,000	236,099	395,099
2021	168,000	228,428	396,428
2022	178,000	220,329	398,329
2023	205,000	211,565	416,565
2024	217,000	201,685	418,685
2025	229,000	191,235	420,235
2026	241,000	180,215	421,215
2027	253,000	168,625	421,625
2028	267,000	156,441	423,441
2029	281,000	143,593	424,593
2030	295,000	130,079	425,079
2031	310,000	115,900	425,900
2032	326,000	100,985	426,985
2033	342,000	85,310	427,310
2034	358,000	68,875	426,875
2035	376,000	51,656	427,656
2036	393,000	33,583	426,583
2037	<u>412,000</u>	<u>14,701</u>	<u>426,701</u>
TOTAL	\$5,300,000	\$3,148,369	\$8,448,369

¹ Interest rate estimated at 4.75%.

² Reflects partial capitalization of interest in fiscal year 2017.