



STAFF REPORT

Report To: Board of Supervisors **Meeting Date:** October 7, 2021

Staff Contact: Sheri Russell, Chief Financial Officer (Srussell@carson.org)

Agenda Title: For Possible Action: Discussion and possible action regarding the engagement of JNA Consulting Group, LLC as independent financial advisor and consultant to Carson City for a combined not to exceed amount of \$105,000, in connection with the issuance of three general obligation limited tax bonds, additionally secured by pledged revenues - the \$16,690,000 Water and Refunding Bonds, Series 2022A; the \$1,895,000 Sewer (Wastewater) Refunding Bonds, Series 2022B; and the \$8,100,000 Capital Improvement Bonds, Series 2022C. (Sheri Russell, srussell@carson.org)

Staff Summary: The engagement letter will operate as the form agreement between the City and the firm of JNA Consulting Group, LLC. The engagement letter sets forth the proposed role and responsibilities JNA will assume as the City's independent financial advisor and consultant for the issuance of three general obligation bonds at an estimated \$35,000 per issue to finance the refunding of the 2012 Water and Wastewater Bonds, and new money for the construction of the Quill Water Treatment Plant Upgrade and the construction of the Emergency Operation Center/Fire Station/Backup Dispatch Center.

Agenda Action: Formal Action / Motion **Time Requested:** 5 minutes

Proposed Motion

I move to approve, and authorize the City Manager to execute, the engagement letter with JNA Consulting Group, LLC.

Board's Strategic Goal

Sustainable Infrastructure

Previous Action

N/A

Background/Issues & Analysis

The City issues debt from time to time if it makes the most financial sense. Currently, interest rates are very low and there is a great opportunity to refund existing bonds to reduce the City's debt service burden and to issue low-cost general obligation bonds to move projects forward. Projects will be supplemented with American Recovery Plan Act ("ARPA") funding, which has helped to reduce the debt burden. Proceeds from debt should be spent within three years of issuance to avoid repayment of interest earned.

The refunding of 2012 Series Water and Wastewater Bonds would be \$11,585,000, with projected interest savings of at least \$1 million.

The Quill Water Treatment Plant Upgrade total project cost is \$11 million. The amount of \$4 million of this project is funded with ARPA funding and system user rates. The City has requested a federal appropriation of

\$1.5 million through its Nevada delegation. The funding still needed is \$5.5 million. Because the status of the federal appropriation request is unknown at this time, the City will be requesting a bond amount of \$7 million.

The Emergency Operation Center/Fire Station/Backup Dispatch Center total project cost is \$11.1 million. The amount of \$3 million of this project is funded with ARPA funding and Capital Project dollars set aside in the Fiscal Year 2022 budget. The City has requested a federal appropriation of \$2 million through its Nevada delegation; the funding still needed is \$6.1 million. Because that status of the federal appropriation request is unknown at this time, the City will be requesting a bond amount of \$8.1 million.

The bond issuance process can take between 4 and 6 months to complete and interest rates are not locked in until final issuance; therefore, staff is starting this process as soon as feasibly possible in order to take advantage of the current low interest rates. Grant and Federal awards will be known by final issuance, and final bond issuance amounts will be reduced if federal amounts are awarded.

Applicable Statute, Code, Policy, Rule or Regulation

N/A

Financial Information

Is there a fiscal impact? Yes

If yes, account name/number: Debt Service Fund 4107001-504846, Water Fund 5203505-504846, Wastewater Fund 5103205-504846

Is it currently budgeted? No

Explanation of Fiscal Impact: The proposed fees to JNA Consulting Group, LLC, along with all issuance costs, will be paid from proceeds from the issuance of the general obligation bonds. Once final numbers are known as the City moves closer to bond issuance, the budget will be augmented as necessary to include proceeds, project and issuance costs.

Alternatives

Do not approve the engagement letter with JNA Consulting Group, LLC.

Attachments:

[JNA Engagement and Fee Letter CACI 2022 Bonds-revised.pdf](#)

Board Action Taken:

Motion: _____	1) _____	Aye/Nay
	2) _____	_____

(Vote Recorded By)



JNA Consulting Group, LLC

Independent Public Finance Advisors

September 22, 2021

Sheri Russell
Chief Financial Officer
City of Carson City, Nevada
201 N Carson Street, Suite 3
Carson City, NV 89701

Re: Financial Advisory Scope of Services/Fees for Carson City, Nevada General Obligation (Limited Tax) Water, Wastewater, & Capital Improvement Bonds, Series 2022A-C

Dear Sheri:

JNA Consulting Group, LLC is pleased to be of service to Carson City on the above-referenced projects.

Scope of Municipal Advisory Activities to be Performed

Services provided consist of offering independent financial advice and consulting services relating to debt and the funding of capital projects. We do not underwrite securities or offer investment services.

It is currently anticipated that the project will include the following components:

- 1- \$16,690,000* publicly offered water bonds to fund construction of the Quill treatment plant and to refinance the City's 2012A Water Bonds for debt service savings
- 2- \$1,895,000* publicly offered wastewater bonds to refinance the City's 2012B Sewer Bonds for debt service savings
- 3- \$8,100,000* publicly offered capital improvement bonds to fund construction of an emergency operations center

* Maximum, not to exceed

Services for this project include, but are not limited to the following:

1. Review existing debt structure to identify strengths and weaknesses of structure, identify funding opportunities.
2. Develop and analyze appropriate debt structure alternatives and bond financing schedules.
3. Assist the City with credit rating management and upgrade strategies.
4. Assist the City in the development of the terms of the financing and make recommendations concerning the terms and conditions (including public or private sale) upon which the securities are to be issued and sold, including final repayment schedules, call and redemption features, reserve funds, revenue options, coverage requirements, and other details.
5. Develop and review financing documents including the preparation for the City of an Official Statement, which sets forth financial and other information about the City and a description of the security issue, for each contemplated debt issuance planned to be sold at a public sale.
6. Assist the City and the underwriter in preparation of an Official Statement for issues planned to be sold at a private sale. The preparation of the material will be in general conformance with Government Finance Officers Association Disclosure Guidelines for offerings of Securities by State and Local Governments.
7. Review Official Statements not prepared by JNA and report findings to the City.
8. Confer with legal counsel, bond attorneys, underwriters, bankers, actuarial firms, and accountants selected.
9. Assist the City with presentations made to the Debt Management Commission to secure its approval for issuance of securities.
10. Inform the City of market conditions and advise the City as to advantageous timing that the securities might be sold.
11. Participate with the City in due diligence meetings.
12. Assist in the procurement of other financial services such as trustee, printer, and verification agent.
13. Assist the City in establishing a marketing plan via widely circulated financial journals and publications, to obtain publicity for the City's security sale.
14. Assist the City with preparation of materials for rating agency presentations.
15. Review bids to verify calculations are in conformance with the specifications, and make recommendations, for award of bids on competitive sales.
16. Assist with the pricing of bonds.
17. Perform the necessary functions in connection with the Proceedings, which include acting as liaison, assembling documents, and attending all closings.

Compensation and Out-of-Pocket Expenses

The fees for the project will not exceed \$35,000 per series of bonds. The fees do not include out-of-pocket expenses such as overnight mail, copying, or travel-related expenses. Such items will be included on the bill as reimbursable items. Fees for our services are payable out of proceeds of the obligation upon closing. Should the financing be cancelled for any reason prior to completion, we will invoice for our time performed plus any reimbursable out-of-pocket expenses.

Fiduciary Duty

JNA is currently registered as a Municipal Advisor with the U.S. Securities and Exchange Commission (the "SEC") and Municipal Securities Rulemaking Board ("MSRB"). As such, JNA has a Fiduciary Duty to the City and must provide both a Duty of Care and a Duty of Loyalty that entails the following:

Duty of Care:

- exercise due care in performing its municipal advisory activities;
- possess the degree of knowledge and expertise needed to provide the City with informed advice;
- make a reasonable inquiry as to the facts that are relevant to the City's determination as to whether to proceed with a course of action or that form the basis for any advice provided to the City; and
- undertake a reasonable investigation to determine that JNA is not forming any recommendation on materially inaccurate or incomplete information; JNA must have a reasonable basis for:
 - any advice provided to or on behalf of the City;
 - any representations made in a certificate that it signs that will be reasonably foreseeably relied upon by the City, any other party involved in the municipal securities transaction or municipal financial product, or investors in the City's securities; and
 - any information provided to the City or other parties involved in the municipal securities transaction in connection with the preparation of any offering documents.

Duty of Loyalty:

JNA must deal honestly and with the utmost good faith with the City and act in the City's best interests without regard to the financial or other interests of JNA. JNA will eliminate or provide full and fair disclosure (included herein) to the City about each material conflict of interest (as applicable). JNA will not engage in municipal advisory activities with the City as a municipal entity, if it cannot manage or mitigate its conflicts in a manner that will permit it to act in the City's best interests.

Conflicts of Interest and Other Matters Requiring Disclosures

- As of the date of the Agreement, there is an actual or potential conflict of interest that JNA is aware of that may be viewed to impair its ability to render unbiased and competent advice or to fulfill its fiduciary duty regarding the fee structure. Additionally, if JNA becomes aware of any other potential conflicts of interest that arise after this disclosure, JNA will disclose the detailed information in writing to the City in a timely manner.

Specifically,

- JNA's compensation for municipal advisory activities to be performed for the wastewater refunding project is contingent on the size or closing of any transactions as to which JNA is providing advice. This may be considered a conflict of interest. This potential conflict of interest will not impair JNA's ability to render unbiased and competent advice or to fulfill its fiduciary duty.
- The fee paid to JNA increases the cost of financing to the City. The increased cost occurs from compensating JNA for municipal advisory services provided.
- JNA does not act as principal in any of the transaction(s) related to this Agreement.
- During the term of the municipal advisory relationship, this agreement will be promptly amended or supplemented to reflect any material changes in or additions to the terms or information within this agreement and the revised writing will be promptly delivered to the City.

Material Conflicts to be Considered

- JNA does not have any affiliate that provides any advice, service, or product to or on behalf of the client that is directly or indirectly related to the municipal advisory activities to be performed by JNA;
- JNA has not made any payments directly or indirectly to obtain or retain the City's municipal advisory business;
- JNA has not received any payments from third parties to enlist the recommendation to the City of its services, any municipal securities transaction, or any municipal finance product;
- JNA has not engaged in any fee-splitting arrangements involving JNA and any provider of investments or services to the City;
- JNA's compensation for municipal advisory activities to be performed is contingent on the size or close of any transactions as to which JNA is providing advice;
- JNA does not have any other engagements or relationships that might impair JNA's ability either to render unbiased and competent advice to or on behalf of the City or to fulfill its fiduciary duty to the City, as applicable; and
- JNA does not have any legal or disciplinary event that is material to the City's evaluation of the municipal advisory or the integrity of its management or advisory personnel.

Other Municipal Advisory Relationships

JNA serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of another JNA client. For example, JNA serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to the City. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, JNA could potentially face a conflict of interest arising from these competing client interests. JNA fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith with the City.

Complaints

JNA is currently registered as a Municipal Advisor with the SEC and the MSRB.

Within the MSRB website at www.msrb.org, the City may obtain the Municipal Advisory client brochure that is posted on the MSRB website. The brochure describes the protections that may be provided by the MSRB rules along with how to file a complaint with financial regulatory authorities.

Legal Events and Disciplinary History

JNA does not have any legal events and disciplinary history on its Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations, and civil litigation. The City may electronically access JNA's most recent Form MA and each most recent Form MA-I filed with the Commission at the following website: www.sec.gov/edgar/searchedgar/companysearch.html.

There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC.

Recommendations

If JNA makes a recommendation of a municipal securities transaction or municipal financial product or if the review of a recommendation of another party is requested in writing by the City and is within the scope of the engagement, JNA will determine, based on the information obtained through reasonable diligence of JNA whether a municipal securities transaction or municipal financial product is suitable for the City. In addition, JNA will inform the City of:

- the evaluation of the material risks, potential benefits, structure, and other characteristics of the recommendation;
- the basis upon which JNA reasonably believes that the recommended municipal securities transaction or municipal financial product is, or is not, suitable for the City; and
- whether JNA has investigated or considered other reasonably feasible alternatives to the recommendation that might also or alternatively serve the City's objectives.

If the City elects a course of action that is independent of or contrary to the advice provided by JNA, JNA is not required on that basis to disengage from the City.

Termination

This engagement between the City and JNA shall become effective as of the date of its acceptance as provided below and the end date is thirty (30) days from the closing date of the transaction. Any extension must be mutually agreed upon by all parties in writing.

This engagement may be terminated, with or without cause, by either party upon fifteen (15) days prior written notice. If the engagement is terminated by the City, JNA will invoice the City for its City-authorized out-of-pocket expenses, if any, as of date of termination. If JNA has completed the engagement as of the date of termination, the City will pay JNA in full.

Record Retention

Effective July 1, 2014, pursuant to the Securities and Exchange Commission (SEC) record retention regulations, JNA is required to maintain in writing, all communication and created documents between JNA and the City for five years.

If there are any questions regarding the above, please do not hesitate to contact JNA. If the foregoing terms meet with your approval, please indicate your acceptance by executing two copies of this letter and returning one copy to us.

Our objective is to have the proposed transaction proceed as smoothly as possible for the City. We look forward to working with you and thank you for this opportunity to be of service to the City. Please call me at 702-294-5100 if you have any questions.

Sincerely,



Martin R. Johnson
President

MRJ:jgp

Agreed to and Accepted as of _____:

Date

By: CARSON CITY, NEVADA

Authorized Signature and Title