



STAFF REPORT

Report To: Board of Supervisors

Meeting Date: 10/19/17

Staff Contact: Nancy Paulson, Deputy City Manager / Acting Chief Financial Officer

Agenda Title: For Possible Action: To confirm the engagement of Sherman & Howard as bond counsel to Carson City, Nevada in connection with the issuance of the \$61,695,000 Carson City, Nevada, Hospital Revenue Bonds, Series 2017A; the \$36,870,000 Carson City, Nevada, Variable Rate Hospital Revenue Refunding Bonds, Series 2017B; and the \$11,540,000 Carson City, Nevada, Variable Rate Hospital Revenue Refunding Bonds, Series 2017C with the associated fees to be paid by the Carson Tahoe Regional Healthcare Corporation (the "Corporation") at closing from the bond proceeds. (Nancy Paulson, npaulson@carson.org)

Staff Summary: The agreement between the City and the firm of Sherman & Howard sets forth the role proposed to be served and the responsibilities proposed to be assumed as bond counsel.

Agenda Action: Formal Action/Motion

Time Requested: 5 minutes

Proposed Motion

I move to confirm the engagement of Sherman & Howard as bond counsel to Carson City, Nevada in connection with the issuance of the \$61,695,000 Carson City, Nevada, Hospital Revenue Bonds, Series 2017A; the \$36,870,000 Carson City, Nevada, Variable Rate Hospital Revenue Refunding Bonds, Series 2017B; and the \$11,540,000 Carson City, Nevada, Variable Rate Hospital Revenue Refunding Bonds, Series 2017C with the associated fees to be paid by the Carson Tahoe Regional Healthcare Corporation at closing from the bond proceeds.

Board's Strategic Goal

Sustainable Infrastructure

Previous Action

Background/Issues & Analysis

Applicable Statute, Code, Policy, Rule or Regulation

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number: The total anticipated fees in the range of \$95,000 to \$105,000 with respect to the 2017A Bonds, \$40,000-\$45,000 with respect to the 2017B Bonds and \$30,000-\$35,000 with respect to the 2017C Bonds will be paid by the Corporation at closing from the bond proceeds.

Is it currently budgeted? Yes No

Explanation of Fiscal Impact: The fees will be payable by the Corporation and Sherman and Howard will not look to the City for any compensation in regard to this engagement.

Alternatives

Not to confirm Sherman and Howard as bond counsel.

Board Action Taken:

Motion: _____

1) _____

Aye/Nay

2) _____

(Vote Recorded By)



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September 27, 2017

City of Carson City, Nevada
Attn: Nancy Paulson
Director of Finance
201 North Carson Street, Suite No. 3
Carson City, Nevada 89702

***61,695,000**

Carson City, Nevada
Hospital Revenue Bonds
(Carson Tahoe Regional
Healthcare Project)
Series 2017A

***36,870,000**

Carson City, Nevada
Variable Rate
Hospital Revenue Refunding Bonds
(Carson Tahoe Regional
Healthcare Project)
Series 2017B

***11,540,000**

Carson City, Nevada
Variable Rate
Hospital Revenue Refunding Bonds
(Carson Tahoe Regional
Healthcare Project)
Series 2017C

Dear Nancy:

We are pleased to confirm our engagement as bond counsel to Carson City, Nevada (the "City"), in connection with the issuance of the above-captioned bonds (collectively, the

Carson City, Nevada
September 27, 2017
Page 2

“Bonds”). This letter will operate as the form of agreement between the City and our firm and sets forth the role we propose to serve and the responsibilities we propose to assume as bond counsel.

Personnel. We understand that you have the authority to sign this letter in your capacity as Finance Director and to represent the City during this financing. David Lucas and Ryan Henry, who are licensed Nevada lawyers, will be the principal lawyers involved in performing legal services for the City pursuant to this letter, and they will report to and take direction from you. James P. Lane, who is licensed in Colorado (and not in Nevada) will also be involved in performing federal tax counsel services for the City pursuant to this letter. Where appropriate, certain tasks may be performed by other attorneys or paralegals in our firm. We sometimes consult with other lawyers in our non-Nevada offices in attempting to resolve questions of municipal law and municipal finance law, and sometimes these lawyers also assist us in legal research and document drafting. In any event, our Nevada lawyers will be responsible for all legal services and legal work rendered to you pursuant to this letter and all formal legal opinions will be rendered and executed by Sherman & Howard L.L.C. (“S&H”).

Scope of Services. Bond counsel is engaged as a recognized expert whose primary responsibility is to render an objective legal opinion with respect to the authorization and issuance of bonds. As bond counsel to the City, we will:

1. examine applicable law;
2. prepare or review: (i) the authorizing legislation of the City’s Board of Supervisors, (ii) the trust indentures or other agreement pursuant to which the Bonds will be issued and secured, (iii) the loan agreements pursuant to which Carson Tahoe Regional Healthcare (the “Corporation”) will agree to provide the City with sufficient funds to pay the principal of and interest on the Bonds in accordance with their terms, (iv) such other documents, including, without limitation, the bond purchase agreement relating to the 2017A Bonds, as may be required by the financings or which we deem necessary for rendering our opinions, and (v) the forms of such closing documents, certificates, and opinions of counsel as may be required by the terms of the financings and applicable federal and state laws;
3. consult with the parties prior to the issuance of the Bonds;
4. examine an executed transcript of certified proceedings; and
5. undertake such additional duties as are necessary to render our final approving opinions relating to the Bonds and the exclusion of interest paid on the Bonds (subject to certain limitations which may be expressed in the opinion) from gross income for federal income tax purposes.

Carson City, Nevada
September 27, 2017
Page 3

In rendering our opinions, we will rely upon the City's certified proceedings and other certifications of the Corporation and public officials and other persons (including certifications as to the use of Bond proceeds and various tax matters) furnished to us without undertaking to verify the same by independent investigation. Our opinions will be addressed to the City and will be executed and delivered by us in written form on the date the Bonds are exchanged for their purchase price (the "Closing"). The opinions will be based on facts and law existing as of their date.

As bond counsel, we will not assume or undertake responsibility for assisting in the preparation of the Official Statement with respect to the 2017A Bonds (the "Official Statement"), nor are we responsible for performing an independent investigation to determine the accuracy, completeness or sufficiency of the Official Statement. Nevertheless, our responsibilities as bond counsel will include the preparation or review of any description in the Official Statement of: (i) Nevada and federal law pertinent to the validity of and security for the 2017A Bonds, as well as the tax treatment of interest paid thereon, (ii) the terms of the 2017A Bonds and pertinent provisions of the authorizing document, and (iii) our opinion.

Our services as bond counsel to the City are limited to those contracted for explicitly herein; the City's execution of this letter constitutes an acknowledgment of those limitations. Specifically, but without implied limitation, our responsibilities do not include any representation by S&H in connection with any IRS audit or any litigation involving the City or the Bonds. Neither do we assume responsibility for the preparation of any collateral documents (e.g., environmental impact statements) which are to be filed with any state, federal or other regulatory agency. Nor do our services include financial advice (including advice about the structure of the Bonds, that being the role of the financial advisor), a review of the adequacy of the security provided to Bond owners, or advice on the investment of funds related to the Bond issue. If such services are requested of us, we suggest that we discuss the nature and extent of those services and an estimate of our fee at the time of the request.

Attorney-Client Relationship. In performing our services as bond counsel, the City will be our client and an attorney-client relationship will exist between us. We will represent the interests of the City rather than its Board of Supervisors, its individual members, or the City's employees. We assume the Corporation, the underwriter, the lender, the bond trustee and other parties to the transaction will retain such counsel as they deem necessary and appropriate to represent their interests in the transactions.

Conflicts of Interest. S&H is a large firm with a broad transactional practice, including the practice areas that are the subject of this engagement. Our firm represents many political subdivisions, investment bankers, financial institutions, real estate entities and other companies and individuals. Before accepting any new business, the Nevada Rules of Professional

Carson City, Nevada
September 27, 2017
Page 4

Conduct (the “Rules”) require us to evaluate whether there exist any ethical constraints to representing the City on an on-going basis. We are unaware of any potential ethical constraints that might serve as a barrier to our representation of the City in connection with the matters described in this engagement letter.

Proposed Fees. Based upon: (i) our current understanding of the terms, structure, size and schedule of the financings, (ii) the responsibilities we will undertake pursuant to this letter, (iii) the time and labor we anticipate devoting to the financings, and (iv) the skill and experience required to complete the services properly, we estimate that our fees as bond counsel will be: (a) in the range of \$95,000 to \$105,000 with respect to the 2017A Bonds (which includes a fee of approximately \$15,000 relating to the Corporation’s request for us to amend and restate in its entirety its existing Master Trust Indenture); (b) in the range of \$40,000 to \$45,000 with respect to the 2017B Bonds; and (c) in the range of \$30,000 to \$35,000 with respect to the 2017C Bonds. Our fees will be payable by the Corporation and we shall not look to the City for any of our compensation in regard to this engagement. Such fees may vary: (i) if the principal amount of any series of the Bonds actually issued differs significantly from the amounts stated above, (ii) if material changes in the structure of the financings occur, or (iii) if unusual or unforeseen circumstances arise which require a significant increase in our time or our responsibilities, *e.g.*, if the Bonds are issued with unusual features (such as floating interest rate bonds or “put” bonds) or with unusual security (such as a letter of credit). If, at any time, we believe that circumstances require an adjustment of our original fee estimates, we will consult with the City and the Corporation.

In the event the transactions are delayed and the Bonds are not delivered at Closing on or before December 31, 2017, it will be necessary for us to repeat and update much of our work and a commensurate increase in our fees will result. Any such revision of our fee as bond counsel would, however, be made only after obtaining the approval of the City and the Corporation.

In addition, this letter authorizes us to make disbursements on the City’s behalf, which we estimate will not exceed \$2,500. The Corporation agrees to reimburse us for such disbursements, including photocopying relating to closing transcripts prepared upon the issuance of the Bonds, facsimile transmissions, delivery expenses, and filing fees.

The City hereby agrees that our fees will be paid by the Corporation at Closing out of Bond proceeds. We do not believe that such fee arrangements will interfere with our independence of professional judgment or our attorney-client relationship with the City.

Notwithstanding the preceding paragraph, if the Bonds do not close by December 31, 2017, we will begin billing the Corporation monthly for our services rendered to date up to the maximums for each series of Bonds set forth above, and payment to S&H will not be contingent

Carson City, Nevada
September 27, 2017
Page 5

upon the closing of any series of Bonds. S&H's rates for the work by its attorneys and legal assistants vary based on the experience and expertise of the individuals involved. Typically, we adjust these rates at year-end to reflect changing economic conditions. If the firm increases rates during this engagement, we will provide written notice of those changes. The Rules require that the basis or rate of legal fees be communicated to the client in writing. Accordingly, our current billing rates range from \$110 to \$610 per hour. Specifically, Mr. Lucas' hourly rate is \$510.

Document Retention. At or within a reasonable period after the Closing, we will review the file to determine what materials should be retained as a record of our representation and those which are no longer needed. We will provide you with a copy of the customary transcript of documents after Closing and will return any original documents obtained from you (if a copy is not included in the transcript). We will retain for several years a copy of the transcript and such other materials as correspondence, final substantive work product, documents obtained from you, and documents obtained from third parties. We will not retain such materials as duplicates of the above-described material, or drafts and notes that do not appear needed any longer.

Ordinarily the firm will keep the retained materials until seven years after the final maturity of the Bonds. At the end of that time, unless you advise us in writing to the contrary, we will destroy the bulk of the file. If the file is especially voluminous, we may destroy all or portions of it earlier, as our storage facilities are limited. If you prefer other arrangements for retention or disposition of our files in this matter, please advise us in writing.

Termination of Engagement. Upon delivery of our approving opinions, our responsibilities as bond counsel will terminate with respect to the Bonds, and our representation of the City and the attorney-client relationship created by this engagement letter will be concluded. Specifically, but without implied limitation, we do not undertake to provide continuing advice to the City or to any other party to the transaction. Many post-issuance events may affect the Bonds, the tax-exempt status of interest on the Bonds, or liabilities of the parties to the transaction. Such subsequent events might include a change in the project to be refinanced with Bond proceeds, a failure by one of the parties to comply with its contractual obligations (e.g., rebate requirements, continuing disclosure requirements), an IRS audit, or a change in federal or state law. Should the City seek the advice of bond counsel on a post-closing matter or seek other, additional legal services, we would be happy to discuss the nature and extent of our separate engagement at that time.

Approval. If the foregoing terms of this engagement are acceptable to you, please so indicate by returning the enclosed original of this letter signed by the officer so authorized, retaining the enclosed copy for your files.

Carson City, Nevada
September 27, 2017
Page 6

We very much appreciate the opportunity to be of service to the City as bond counsel and look forward to working with you.

SHERMAN & HOWARD L.L.C.



Accepted and Approved:

CITY OF CARSON CITY, NEVADA

By: _____

Nancy Paulson
Director of Finance

Date: _____

CARSON TAHOE REGIONAL HEALTHCARE AGREES TO THE TERMS OF THIS ENGAGEMENT, ACKNOWLEDGES THAT SHERMAN & HOWARD L.L.C. REPRESENTS ONLY THE CITY AND NOT CARSON TAHOE REGIONAL HEALTHCARE IN CONNECTION WITH THE BONDS, AND AGREES TO PAY THE FEES AND EXPENSES OF SHERMAN & HOWARD L.L.C. AS DESCRIBED ABOVE.

ACCEPTED AND AGREED TO BY:

CARSON TAHOE REGIONAL HEALTHCARE

By: Quinton _____

Title: CFO _____

Date: 10/09/17 _____