



STAFF REPORT

Report To: Board of Supervisors **Meeting Date:** January 19, 2023

Staff Contact: Sheri Russell-Benabou, Chief Financial Officer

Agenda Title: For Possible Action: Discussion and possible action regarding the engagement of JNA Consulting Group, LLC ("JNA") as independent registered municipal advisor and consultant to Carson City, for a not to exceed amount of \$50,000, plus reimbursable expenses, in connection with the issuance by Carson City of its \$5,550,000 General Obligation (Limited Tax) Infrastructure Sales Tax Bonds (Additionally Secured by Pledged Revenues), Series 2023. (Sheri Russell-Benabou, srussell@carson.org)

Staff Summary: The attached engagement letter will operate as the form agreement between the City and JNA. The engagement letter sets forth the proposed roles and responsibilities JNA will assume as the City's independent registered municipal advisor and consultant for the issuance of general obligation bonds that will finance the William Street Corridor Capital Project.

Agenda Action: Formal Action / Motion **Time Requested:** Consent

Proposed Motion

I move to approve the engagement letter, as presented.

Board's Strategic Goal

Sustainable Infrastructure

Previous Action

N/A

Background/Issues & Analysis

The City issues debt from time to time when debt issuance makes the most financial sense. Currently interest rates are rising, but not to an unreasonable bond rate. Bond rates react more slowly, as opposed to bank loans, so the City has opted to issue a Bond, which will include the preparation of a preliminary official statement.

The City is pursuing the issuance of general obligation bonds not to exceed the amount of \$5,550,000 to fund the balance of the William Street Corridor Project that remains unfunded. The total project costs are \$22,240,787. The City received federal appropriation of approximately \$2 million and \$9.3 million from a Rebuilding American Infrastructure with Sustainability and Equity ("RAISE") federal grant. In addition, \$5,540,787 is available through Redevelopment, Water, Wastewater and Stormwater Funds for their portion of this project, leaving a remaining project balance of \$5,400,000. The bond issuance costs of approximately \$150,000 are included in the total not to exceed amount requested. The City has been able to reduce the amount borrowed based on the federal appropriation and grants received.

Applicable Statute, Code, Policy, Rule or Regulation

NRS 332.115(1)(b)

Financial Information

Is there a fiscal impact? Yes

If yes, account name/number: Sales Tax Infrastructure Fund 3100615-504600.

Is it currently budgeted? No

Explanation of Fiscal Impact: The proposed fees to JNA 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 and/or provide alternative direction to staff.

Attachments:

[JNA Engagement Letter.pdf](#)

Board Action Taken:

Motion: _____

- 1) _____
- 2) _____

Aye/Nay

(Vote Recorded By)



JNA Consulting Group, LLC

Independent Registered Municipal Advisor

December 8, 2022

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

Re: REVISED Financial Advisory Scope of Services/Fees for Carson City, Nevada General Obligation (Limited Tax) Infrastructure Bonds, Series 2023

Dear Sheri:

JNA Consulting Group, LLC is pleased to be of service to Carson City on the above-referenced bonds (the "Project"). This letter amends our original engagement dated June 24, 2022.

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.

Our understanding of the current project is to finance various infrastructure improvements within the City, including roadway improvements. It is anticipated that the financing will be accomplished through the public offering of bonds via competitive sale. The financing is not to exceed \$5,550,000.

Additional services for the Project not contemplated in our original engagement include, but are not limited to the following:

1. Develop and review financing documents including the preparation for the City of an Official Statement, which sets for 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.
2. Assist the City in preparation of the Official Statement. 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.
3. Review Official Statements not prepared by JNA and report findings to the City.
4. Inform the City of market conditions as they relate to the sale of the bonds.
5. Participate with the City in due diligence meetings.
6. Assist in the procurement of other financial services such as paying agent, printer, etc.
7. Assist the City in publishing and dissemination of the Preliminary Official Statement and Official Statement.
8. Assist the City with preparation of materials and participate in rating agency presentations.

9. Review bids to verify calculations are in conformance with the specifications, and make recommendations, for award of bids on competitive sales.
10. Assist with the pricing of bonds.
11. Perform the necessary functions in connection with the Project, which include acting as liaison, assembling documents, and participate in closing.

Compensation and Out-of-Pocket Expenses

The fees for the Project will not exceed \$50,000. 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 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