



## CITY OF BANNING STAFF REPORT

**TO:** CITY COUNCIL

**FROM:** Douglas Schulze, City Manager

**PREPARED BY:** Lincoln Bogard, Administrative Services Director

**MEETING DATE:** May 14, 2024

**SUBJECT:** Consideration of Resolution 2024-71, Approving a three (3) year Contract with Option to Extend for Two (2) Additional Years with NHA Advisors, LLC for Municipal Advisory Services that will be funded via task orders per Procurement Policy requirements and approving an initial task order for \$100,000 to evaluate and assess financing and other options for the Electric Department

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### **RECOMMENDATION:**

Adopt Resolution 2024-71.

### **BACKGROUND:**

The City does not currently have a contract with a municipal advisor. Municipal advisory services include financial planning and modeling, market analysis, debt management and implementation, ballot initiatives, and other value added services.

The City is a complex organization that has several enterprise funds that necessitate the need for the services provided by municipal advisors. Additionally, the General Fund would also benefit from those same services.

Most cities and other local agencies utilize the services of a municipal advisor.

The Scope Of Work that we advertised is as follows:

#### 4. Scope of Work

##### 4.1. General Services

A successful proposer will have the ability to provide services including, but not limited to, comprehensive financial planning and analysis services, credit rating surveillance, advise on market conditions, debt issuance and continuing disclosure services in order to:

- achieve sufficient funds to operate the City
- identify revenue streams for the City
- and assist in efficient and effective administration in support of the management of the City

##### 4.2. Financial Planning

The services to be provided by the municipal advisor shall be as needed and include, but not limited to, the following:

- Act as the City of Banning's Independent Registered Municipal Advisor as defined by the U.S. Securities Exchange Commission (SEC) in connection with all capital markets activity.

- Provide independent financial advice and serve solely the interest of the City of Banning. Review the overall financial status of the City and recommend specific financing programs to maximize resources available for the implementation of projects.
- Provide continuing updates and advice on the impact of current or proposed state or federal legislation and that could affect the financial plans of the City and refunding opportunities.
- Provide as-needed financial advice regarding market conditions and trends, financial products, credit analysis, alternative financing, State or Federally subsidized loan programs, and other specialty financing.
- Review the City's long-range financing strategy, particularly with respect to its capital improvement program.
- Develop a financing plan analyzing alternatives based on the City's needs and the municipal market environment evaluating structuring and pricing options: long or short term; callable or non-callable features; credit enhancement (Obtain bids if necessary); level debt service versus front or back-loaded debt service; and the consideration of premiums; discounts; or par securities.
- Review and evaluate the City's existing capital financing plans and work closely with Finance staff to determine whether current borrowing strategies need to be amended. Development of comprehensive capital plan, including the timing and security for planned borrowings, for its general fund and enterprise fund activities.
- Assist in the formulation of financing plans, including presentations of alternative financial programs and strategies, taking into consideration appropriate debt structures, timing, impact on tax rates and taxpayers, budgeting, credit ratings, tax laws, and assessment of capital market conditions.
- Analyze and make recommendations relating to various financing options so as to secure the lowest practical interest rate; enhance the marketability of the Bonds; achieve the widest competition for bond purchase to include retail, institutional, and other investor classes; and achieve optimal leverage of municipal resources, while maintaining a prudent level of risk, through debt obligations. Identify the advantages and disadvantages of any recommendations (bond market conditions, timing of sales, etc.).  
At the request of the City, advise the City on reinvestment strategies for bond proceeds and any other funds related to the financing, execute investment bid processes, as needed, and negotiate final terms and conditions on the City's behalf.  
Prepare and present information designed to facilitate understanding of public sector financing and its implications to City staff and elected officials.
- Be familiar with the City of Banning's existing debt levels and covenants relating to that debt, bond resolutions, financial policies, strategic plan, capital plan, and anticipated financing needs.
- Assist in preparing a financial model to include credit profile evaluation, valuation forecast, water fund financial forecast model, capital planning model and debt model.
- Assist with ancillary services such as debt and capital planning advisory services.
- Assist in the development of strategic financial plans and a financing schedule. This will include considering various potential financing. Techniques, including but not limited to, public versus privately- placed debt, fixed versus variable rate debt, long-term versus short-term amortization.
- Developing financial analysis and special reports as requested.
- Provide timely credit market information, evaluation and presentation of financing options, long-term financial planning, documentation of financing decision and on-going quantitative analysis.
- Advise on current market conditions in the context of upcoming bond issues which may impact interest rates and bond sales. Advise on bond issue timing based on market conditions.
- Conduct a survey of the financial resources of the City to determine the extent of their capacity to authorize, issue and service any debt instruments contemplated.
- Consider and analyze future financing needs projected by the City's staff and consulting experts.
- Provide recommendations to the City regarding debt instruments under consideration, including such elements as the date of issue, interest payment dates, schedule of principal maturities, options of prior payment, security provisions, and such other provisions as may be appropriate in order to make the issue attractive to investors while achieving the objectives of the City.
- Advise the City of its interpretation of current bond market conditions, other related forthcoming

bond issues and general information, with economic data so that the date of sale of the debt instruments may be set at a favorable time.

- Review all outstanding long-term debt obligations for savings.
  - Work with the City to balance bonds/cash/loans for ongoing Capital Improvement Projects.
  - Provide advice to the City on development projects on an ongoing basis to include capital funding and revenue to the City as well as review and advise on long-term contracts with outside development partners.
  - Work with the City on an ongoing basis to acquire and/or increase bond ratings and visibility with institutional investors.
  - Perform other financial advisory services as may be required from time to time, including advising a municipality on refunding opportunities.
- Assist with preparing City Council presentations and/or make presentations to City Council and City Management, as requested.

#### 4.3. Debt Management and Financial Implementation

The services to be provided by the municipal advisor shall be as needed and include, but not limited to, the following:

- Evaluate the particular financings being contemplated, giving consideration to the complexity, market acceptance, rating, size and structure in order to make the recommendation as to an appropriate method of sale.
  - Provide recommendations for specific debt offerings, including but not limited to, options regarding timing, sizing, maturity schedules, call provisions and rate structure.
  - Coordinate the preparation of the notice of sale and bidding instructions, official statement, official bid and such other documents as may be required and submit all such documents to the City for examination, approval and certification.
  - Advise on all debt offerings, including proposed interest rates and yields, need for credit enhancements, pre-sale marketing, and negotiation of fees and expenses.
  - Advise on bond sales climate and make recommendations with respect to whether sale of bonds should be competitive or negotiated. If negotiated, assist in the selection of bond underwriting firms by developing and issuing RFP's. Manage, analyze, provide summaries of RFP responses, and provide recommendations of the underwriting team.
  - Make recommendations to the City as to the advisability of obtaining a credit rating, or ratings, for the debt instrument and, when directed by the City, coordinate the preparation of such information as may be appropriate for submission to the rating agency, or agencies.
  - Upon request from the City, assist in the selection of a Trustee and/or Paying Agent for the debt instruments, and assist in the negotiation of agreements pertinent to these services and the fees incident thereto.
  - Assist in preparation and review of official statements and other financing documents necessary for the issuance of debt. Conduct thorough review of the financial calculations relating to the sale of debt contained in the associated documents.
  - Assist in the selection and assignment of roles and responsibilities of bond counsel, trustee, paying agent, insurers, printers, rating agencies, and other parties involved in the debt issuance process.
  - Assist in the solicitation, evaluation, and negotiation of insurance proposals if needed.
- Assist with the preparation for and participate in presentations, discussions, meetings, and conference calls with credit rating agencies for the issuance of debt.
- Evaluate and provide expert advice during the bond pricing in the area of overall structure of the bond issue, including timing of the issue relative to market conditions, maturity structures, call provisions, interest rates, reserve fund requirements, disposition of bond proceeds, flow of funds, issuance costs, confirmation of present value savings, etc.
  - Assist in the presentation, preparations, and distribution of the Preliminary Official Statement (POS), Notice of Sale (NOS), Official Statement (OS), and other documents and materials required to facilitate the sale of any securities. Provide mailing list and overall management of mailing of the POS and NOS to potential underwriters and investors and manage the production

mailing of the final OS.

- If the securities are sold on a competitive basis, assist in the bid process, verify the bids, and reallocate principal amounts throughout the loan if required to meet municipality objectives. Have a working knowledge with those competitive underwriters who typically lead syndicates that bid for municipal securities.
- Assist with the preparation for and participate in information meetings and conference calls with prospective investors and others, as appropriate, prior to the issuance of debt.
- Assist the City with independent auditor requests regarding debt related calculations or related information.
- Work with bond/tax counsel in advance of the publication or sale of any securities to ensure acceptance of the financing structure and the ability of bond counsel to deliver an unqualified opinion and review tax certificate to the municipality. Assist in the preparation and review of legal and financing documents in coordination with municipality legal counsel, bond counsel, underwriter's counsel (if any) and disclosure counsel (if any), City staff, and other relevant parties.
- Assist in the preparation and review of legal and financing documents in coordination with City staff, consultants, City Counsel, bond counsel, underwriter's counsel (if any) and disclosure counsel (if any), and other relevant parties.
- Create presentation materials and arrange calls/meetings with the rating agencies, bond underwriters (if negotiated), institutional investors, financial publications, credit enhancers, and other market participants. Note that presentation materials must meet or exceed the City's current aesthetic and informational standards.
- Participate in pre-closing and closing activities to ensure that all documents contained in the transaction of the sale accurately reflect the municipality's understanding of the terms of the transaction. Review and approve closing documents including the tax certificate and 8038 filing forms.
- Prepare a comprehensive "Final Pricing Book" within a reasonable time of the closing of each financing transaction that includes information requested by the City, at a minimum summary of the transaction describing any unique financing feature, security and other characteristics of the transaction.
- Assist in the preparation and the required reporting of continuing disclosure documents, monitoring and reporting of disclosure events.
- Make available qualified personnel for consultations and conferences with municipality officials, bond counsel, and staff members, as well as for other meetings on an as needed basis.
- With respect to bond financings, assist in sizing and structuring of the sale, prepare credit presentations, determine the maturing schedule, establish syndicate policies and closing procedures, and any other matters which may assist the City in obtaining the lowest practical interest cost and the widest competition for purchase of its obligations.
- After consulting with and receiving directions from the City, arrange for such reports and opinions of recognized independent consultants as may be appropriate for the successful marketing of the debt instruments.
- Provide feedback on underwriter recommendations, especially bond pricing and date.
- Assist in determining the best method for marketing or remarketing bonds under current market conditions.
- Assist in evaluation of debt service reserve fund, and other debt related funds.
- Attend meetings of the governing body of the City, its staff, representatives or committees as requested at all times when Consultant may be of assistance or service and the subject of financing is to be discussed.
- To the extent authorized by the City, coordinate all work incident to printing of the offering documents and the debt instruments.
- Maintain liaison with Bond Counsel in the preparation of all legal documents pertaining to the authorization, sale and issuance of the debt instruments.
- As soon as a bid for the debt instruments is accepted by the City, coordinate the efforts of all concerned to the end that the debt instruments may be delivered and paid for as expeditiously as possible and assist the City in the preparation or verification of final closing figures incident to the

delivery of the debt instruments.

- After the closing of the sale and delivery of the debt instruments, deliver to the City a schedule of annual debt service requirements for the debt instruments and assure that the Trustee and or Paying Agent has been provided with a copy of the authorizing ordinance.
- Subsequent to the sale and delivery of Debt Instruments, review the transaction and transaction documentation with Bond Counsel and any other experts and consultants retained by the City and assist in developing appropriate responses to legal processes, audit procedures, inquiries, internal reviews and similar matters.
- Assist the City with independent auditor requests regarding debt related calculations or related information.
- The firm engaged as Municipal Advisor will not be permitted to participate as underwriter or provider of escrow securities for the City of Banning for the term of the contract, even if the Municipal Advisor resigns or is terminated during the term thereof.

#### 4.4. Ballot Initiatives

Assist the City with any requested voter-approved revenue measures:

- Perform quantitative modeling and feasibility analysis that accounts for the distressed community designation that the City currently holds.
- Develop revenue strategies to meet operational, capital, and service needs.
- Analysis of tax types and ways to supplement through changes to parcel taxes, special taxes, general taxes, etc.
- Sales Tax Measures
- Utility Users Tax Measures
- Transfer Taxes
- Special Assessments
- Other measures
- Support services for management, elected officials, and community stakeholders, including but not limited to preparing tax filings, ballot arguments, community education, and reports to City Council.

#### 4.5. Value Added Services Identified by the City

- Pension and Other Post-Employment Benefits (OPEB) services, such as Section 115 trusts, Unaccrued Actuarial Liability (UAL) restructuring, funding policies, risk assessment, forecasting and sensitivity analysis.
- Stakeholder education in areas of expertise.
- Continuing Disclosure Compliance.
- Vehicle lease versus buy analysis and budget management support services.
- Fiscal analysis and forecasting services including sensitivity and scenario analysis.
- Recession planning and efforts to provide early warning and planning for stability with the City's credit rating in mind.

#### **JUSTIFICATION:**

The City expects to issue debt for Wastewater, Water, and Electric in the next five (5) years. Financial modeling, evaluation, and assessment of financing needs or alternatives are needed citywide.

The City issued a Request for Proposals (RFP) for Municipal Advisory Services on March 6, 2024, which received two (2) proposals. NHA Advisors, LLC was selected for contract award through an evaluation process.

The evaluation scores are attached to this report.

#### **FISCAL IMPACT:**

This contract will be funded through task orders as defined in the Procurement Policy (B-30). Staff is currently requesting approval of a \$100,000 task order to evaluate and assess financing and other options for the Electric Department to increase liquidity and stabilize or improve its bond rating. The first

task order will be appropriated and paid out of general ledger account 670-7000-473.33-11 for Professional Services.

**ALTERNATIVES:**

Do not approve Resolution and provide alternative direction.

**ATTACHMENTS:**

1. [Resolution 2024-71, NHA Advisors LLC.docx](#)
2. [C01021 PSA - Municipal Advisory Services](#)
3. [Municipal Advisory Services Evaluation Tabulation](#)