



Legislation Text

File #: 20-0289, **Version:** 1

TO:

Honorable Mayor and Members of the City Council

THROUGH:

Bruce Moe, City Manager

FROM:

Steve S. Charelian, Finance Director

Henry Mitzner, Controller

SUBJECT:

Consideration of Municipal Advisory Services Agreement with KNN Public Finance (Finance Director Charelian).

ADOPT RESOLUTION NO. 20-0117 APPROVING AN AGREEMENT

RECOMMENDATION:

Staff recommends that the City Council adopt Resolution No. 20-0117 approving an agreement with KNN Public Finance for municipal advisory services.

FISCAL IMPLICATIONS:

There are no fiscal implications associated with the approval of this agreement. If the City Council authorizes the issuance of bonds, the firm will be compensated at the rates indicated in the agreement. If the bonds are issued, the bond proceeds are applied to such fees. The proposed agreement is attached.

BACKGROUND:

The City has utilized a financial advisory firm for over 20 years, to assist in analyzing financing options, and where appropriate, the issuance of debt. The municipal advisor (MA) was instrumental in the City obtaining our Triple-A credit ratings, and the successful issuance of debt for the Police and Fire Facility, Metlox project, Marine Avenue Sports Fields, South Bay Regional Public Communications Authority, Water/Wastewater, and numerous underground utility districts.

DISCUSSION:

As the City Council contemplates various mid- to long-term fiscal priorities, a comprehensive funding plan needs to be developed. The City has several upcoming utility underground assessment districts, as well as the possible issuance of pension obligation bonds for the City's unfunded accrued liability.

While some capital projects and initiatives may be funded with existing resources, larger, more costly and significant plans may require the issuance of debt or financing in order to spread the costs over multiple years for affordability.

As the City prepares for potential projects and financing options, it is prudent to begin assembling the financing team to help guide the funding options and decisions. The professional services needed for this endeavor include a Municipal Advisor, Bond Counsel, Underwriter(s), and Trustee among others. Staff recommends retaining the services of the MA and Bond Counsel at this time. The contract for each service is presented separately on tonight's agenda.

The MA provides the following services:

- Develops and recommend strategies to maintain credit ratings.
- Assists in evaluating financial proposals, economic influences, governmental actions affecting financial objectives of the City.
- Assists in preparing materials for rating agencies presentations and other members of the financial community.
- Evaluates existing financial plans, cash flows and their fundamental objectives, recommending timing and financial requirements.
- Provides advice as to the effect of current and proposed state legislation, assist in the identification of financing alternatives and recommend adjustments where appropriate.
- Evaluates bond proceeds reinvestment procedures to help ensure optimal yields and funding needs.
- Provides advice as to the effect of federal tax legislation on the City.
- Provides advice and expertise in liability management.
- Provides advice and expertise in the analysis of existing and prospective joint ventures. Evaluate the transactions of these organizations with respect to the effect on the City.
- Provides an assessment of the relevant bond market trends, develop appropriate timetables and work schedules for the successful marketing, sale, and issuance of bonds.
- Analyzes costs, financial impacts and risks of financing or investment structures.
- Assists bond counsel and staff in all aspects of the bond issuance process.
- Provides and interpret current information on financial trends in the municipal debt markets.
- Acts as an expert witness or spokesperson before governmental bodies, organizations or public forums.
- Provides financial advice as needed and requested by the City.
- Reviews of revenue structure, capital plans, and revenue enhancement mechanisms as directed.

The City has utilized the services of Mr. Mark Young (currently with KNN Public Finance) as the Municipal Advisor for the past 20 years. During that time, Mr. Young assisted the City with the successful issuances of debt for the Police and Fire Facility, the Metlox Project, Marine Avenue Sports Fields, the City's portion of the South Bay Regional Public Communications Authority, numerous utility underground assessment districts, pension obligation bonds, and refinancing of several of these issues at or near historically low interest rates.

Having worked with the City for over 20 years, Mr. Young is keenly aware of the City's financial position, history, policies, activities and goals. Further, Mr. Young was instrumental in the City obtaining Triple-A ratings from major credit rating agencies. Additionally, he has been an invaluable resource irrespective of debt issuance when the City has contemplated significant financial decisions and options. Mr. Young has provided such review and support free of charge outside the debt issuance cycle.

PUBLIC OUTREACH:

After analysis, staff determined that public outreach was not required for this issue.

ENVIRONMENTAL REVIEW:

The City has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Thus, no environmental review is necessary.

LEGAL REVIEW:

The City Attorney has approved the agreement as to form.

ATTACHMENTS:

1. Resolution No. 20-0117
2. Agreement - KNN Public Finance