

October 9, 2024

Via Email

Micaela Moore
City Manager/CAO
City of North Las Vegas Manager's Office
2250 Las Vegas Boulevard North
North Las Vegas, NV 89030
moorem@cityofnorthlasvegas.com

Re: \$100,000,000* City of North Las Vegas, Nevada General Obligation (Limited Tax) Water and Wastewater Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2024B (Publicly Offered)

Dear Ms. Moore:

As municipal advisor to the City of North Las Vegas (the "City"), we are required by Nevada Revised Statutes ("NRS") 350.155 (3) (b) to provide a report regarding the sale of the above-captioned bond issue (the "2024B Bonds") via a negotiated sale. We recommend that the Bonds be sold at negotiated sale for the following reasons:

The 2024B Bonds will be sold in connection with the City's 2024A Water and Wastewater Refunding Bonds (the "2024A Bonds") which will be purchased by the State Treasurer's Office on behalf of the State of Nevada Revolving Fund for Water Projects (the "SRF") at a below market rate. The SRF only approved a maximum bond size of \$31,250,000 for the 2024A Bonds. The 2024A Bonds and the 2024B Bonds combined will be issued to refund, for debt service savings, the 2025 - 2040 maturities of the City's outstanding 2010A Water and Wastewater Improvement Bonds (the "2010A Bonds"). The 2010A Bonds were issued as Build America Bonds. Build America Bonds were issued as taxable bonds which receive a subsidy of 35% of the interest due from the Federal government. This subsidy has been reduced in the past several years by 5.7%, to approximately 33%, as a result of federal sequestration requiring mandatory reductions in federal spending, including subsidies on Build America Bonds. The reduction in the Federal subsidy has resulted in the City paying higher debt service than originally anticipated on the 2010A Bonds. In addition to debt service savings, the 2024A and 2024B Bonds are being issued to eliminate the Federal subsidy and the future fluctuations associated with it. Since the size of the 2024A Bonds is not enough to refund the 2010A Bonds in their entirety, the 2024B Bonds need to be issued as well. Selling the 2024B Bonds via negotiated sale will provide the City with greater flexibility to make changes to bond structure during pricing as opposed to a competitive sale. This will allow the City to better align the structure of the 2024B Bonds to match the fiscal year savings of the 2024A Bonds.

In addition, selling the 2024B Bonds at negotiated sale will also provide the City with greater flexibility to sell bonds when market conditions are advantageous. Under Nevada law, the City is unable to refund the 2010A Bonds if the redemption premium exceeds 109%. The 2010A Bonds will be refunded based on the extraordinary call provisions as a result of the reduction in the Federal subsidy. The extraordinary call is based on the 20 year Treasury rate plus 1%. This rate is then applied to the existing 2010A Bonds debt service cash flows to determine the call premium. The lower the 20 year Treasury rate the higher the call premium. This added requirement makes timing the sale of the bonds more complicated. Therefore, being able to better time the market via negotiated sale will also provided additional savings to the City than if sold via competitive sale.

* Preliminary, subject to change. Not to exceed.

A negotiated sale of the 2024B Bonds, in which a substantial pre-marketing effort is made by the managing underwriter, and addresses the particular conditions stated above in a comprehensive and understandable manner, will provide a benefit to the City. The estimated amount of the benefit which will accrue to the City by using a negotiated sale, as opposed to a competitive sale, is estimated to be approximately 5 bps in interest cost on the 2024B Bonds.

These are the factors as of the date of this letter. There are events that could transpire prior to the sale that could impact any of these factors.

If you have any questions, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Artusa". The signature is fluid and cursive, with a large initial "A".

Andrew Artusa, Managing Director
Zions Public Finance

cc: William Harty
William Riggs
Deborah Barton
Kendra Follett