

**DEBT MANAGEMENT COMMISSION
WASHOE COUNTY, NEVADA**

ANNUAL MEETING

FRIDAY

3:00 P.M.

AUGUST 19, 2005

PRESENT:

Richard Pugh, Member At Large, Chairman
Robert Wolf, Member At Large, Vice Chairman
Stephan Cohen, GID Representative, Commissioner
Jim Galloway, Washoe County Commission, Commissioner*
Dan Gustin, Reno City Council, Commissioner
Geno Martini, Sparks City Council, Commissioner
Jonnie Pullman, Washoe County School District, Commissioner*

Amy Harvey, County Clerk
Paul Lipparelli, Legal Counsel

The Washoe County Debt Management Commission (DMC) met in the Chambers of the Washoe County Administrative Complex, 1001 East Ninth Street, Reno, Nevada, in full conformity with the law, with Chairman Pugh presiding. Following the Pledge of Allegiance to the flag of our Country, the Clerk called the roll and the Board conducted the following business:

05-13DMC AGENDA

On motion by Commissioner Martini, seconded by Commissioner Wolf, which motion duly carried with Commissioners Galloway and Pullman absent, Chairman Pugh ordered that the agenda for the August 19, 2005 annual meeting be approved.

PUBLIC COMMENTS

There was no response to the call for public comments.

05-14DMC MINUTES

On motion by Commissioner Cohen, seconded by Commissioner Martini, which motion duly carried with Commissioners Galloway and Pullman absent, Chairman Pugh ordered that the minutes of the May 20, 2005 quarterly meeting be approved.

05-15DMC RESOLUTION OF APPRECIATION - ROBERT SEACH

3:05 p.m. Commissioner Galloway arrived while Amy Harvey, County Clerk, was reading the following Resolution:

RESOLUTION OF APPRECIATION

WHEREAS, Mr. Robert Seach has served on the Washoe County Debt Management Commission since June of 1986 when it was known as the Washoe County General Obligation Bond Commission; and

WHEREAS, Mr. Robert Seach was elected Chairman by the Commission members in 1987, 1996 and 1997; and

WHEREAS, Mr. Robert Seach, through his excellent attendance and well informed contributions to financial deliberations, has faithfully and honorably served the Washoe County Commission, the City of Reno, the City of Sparks, and the Washoe County School Board, and

WHEREAS, Mr. Robert Seach has conscientiously performed his duties as a member of the Washoe County Debt Management Commission promoting and protecting the interest of citizens and taxpayers of Washoe County;

THEREFORE, BE IT RESOLVED, that the members of the Debt Management Commission hereby express their appreciation and their thanks and highly commend Mr. Robert Seach for his many years of dedicated service to the residents of Washoe County; and,

BE IT FURTHER RESOLVED, that the members of the Washoe County Debt Management Commission wish Mr. Robert Seach much happiness and health in his retirement.

Commissioner Wolf said he had worked with Mr. Seach since 1976, and he appreciated both his candor and incisiveness in terms of his observations.

On motion by Commissioner Wolf, seconded by Commissioner Martini, which motion duly carried with Commissioner Pullman absent, it was ordered that the Resolution of Appreciation be presented to Mr. Robert Seach at the same time as the resolution being presented to him by the Board of County Commissioners at the request of Commissioner Galloway.

3:07 p.m. Commissioner Pullman arrived.

05-16DMC **ESTABLISH PERCENTAGE OF OVERLAPPING TAX RATE AS TRIGGER FOR ADDITIONAL CONSIDERATION OF PUBLIC NEEDS**

Paul Lipparelli, Legal Counsel, explained the threshold and said that under State law specifying this threshold percentage is a mandatory function of the Board at the annual meeting. He said the Board has historically not exercised its discretion to change the percentage from 90 percent since it was given that authority in 2001.

Mr. Lipparelli discussed the schedule in the staff report that provided different percentages and the corresponding tax cap numbers. He said the numbers were academic because almost every proposal for general obligation debt would involve a tax rate that exceeds the threshold. In response to Commissioner Galloway, Mr. Lipparelli confirmed that this item must be on the agenda for the annual meeting.

In response to Commissioner Gustin, Mr. Lipparelli said the statute authorizes the Board to go as low as 75 percent of the cap. He said setting the percentage lower indicates the Board would examine the proposals and compare the public need of the proposal with the public need of the other entities that share the cap rate. He stated the Board is in that realm at the 90 or even at the 98 percent level because the cap is nearly consumed.

Commissioner Galloway said it was too late to be discussing 75 percent because everyone is already over 90 percent and there is virtually no rate left. He said it is left at 90 percent in case an entity reduces their rate by 10 cents and another entity wanted to use it. Commissioner Wolf responded it is unlikely the various entities would pay off their indebtedness and go below the cap.

Chairman Pugh commented the alternative was for the Legislature to raise the cap, which was very unlikely.

On motion by Commissioner Galloway, seconded by Chairman Pugh, which motion duly carried, it was ordered that the threshold percentage remain at 90 percent for the percentage of limitation on total ad valorem tax levy for the purposes of NRS 350.0051(d).

05-17DMC ESTABLISH PRIORITIES – ESSENTIAL – NONESSENTIAL FACILITIES AND SERVICES

Paul Lipparelli, Legal Counsel, said that annually, in accordance with NRS 350.0051 (d)(1), the Board is required to establish priorities among essential and nonessential facilities and services to be used when determining the public need to be served by a proposed debt or tax levy. He noted the Legislature did not give the DMC's much guidance as to what was essential and nonessential except to say that facilities that relate to public safety, education and health must be considered essential services.

On motion by Commissioner Wolf, seconded by Commissioner Gustin, which motion duly carried, Chairman Pugh ordered that public safety, education and health be established as essential facilities and services, all having priority; and all other facilities and services be established as nonessential.

**05-18DMC REVIEW AND ACCEPTANCE OF ANNUAL REPORTS FROM
POLITICAL SUBDIVISIONS**

In response to Commissioner Galloway, Paul Lipparelli, Legal Counsel, said he was not aware of any review of the reports at the State level. He said the reports were to serve as the basis of the DMC's consideration of debt proposals that come from these taxing authorities and provide the Commission with an idea of what to expect from them. He said they are also required to update the reports if they make a proposal for general obligation debt or special elective tax that was not in the report submitted in August.

In response to Commissioner Pullman, Mr. Lipparelli said some of the taxing authorities may not have any debt or plans to issue debt, but they collect property taxes and pay the costs of facilities in their jurisdictions; and disbanding them would eliminate the services they provide to the community. He stated the DMC's only concern is whether the entities issuing debt would be competing for debt dollars, and disbanding them would be a function of the entity's governing board.

Andy Green, City of Reno Finance Director, clarified the reports were also submitted to the State Department of Taxation.

On motion by Commissioner Martini, seconded by Commissioner Pullman, which motion duly carried, Chairman Pugh ordered that the Annual Indebtedness Reports, Debt Management Plans and Capital Improvement Programs received from the following entities be accepted:

- Airport Authority of Washoe County
- Gerlach General Improvement District
- Incline Village General Improvement District
- North Lake Tahoe Fire Protection District
- Palomino Valley General Improvement District
- Regional Transportation Commission
- City of Reno
- Reno Redevelopment Agency
- Reno/Sparks Convention and Visitors Authority
- City of Sparks
- South Truckee Meadows General Improvement District
- Sparks Redevelopment Agency
- Sun Valley General Improvement District
- Truckee Meadows Fire Protection District
- Truckee Meadows Water Authority
- Verdi Television District
- Washoe County School District
- Washoe County

05-19DMC RESOLUTION – GENERAL OBLIGATION WATER AND SEWER BONDS – WASHOE COUNTY

Jerry McKnight, Water Resources Finance and Operations Manager, discussed the purpose of the \$65 million in General Obligation Water and Sewer Bonds as outlined in the proposal. He said the utility operation has sufficient resources to cover the cost of the indebtedness. He explained within the bond covenants there would be the standard requirement that rates would be increased to cover the debt in case something happened outside of what was projected. Mr. McKnight said the general obligation backing gets the bonds a better interest rate, which lowers the costs to the consumer.

Mr. McKnight said the coverage ratio is 2.94, which is a little over twice the current financial policy requirement of 1.4. He stated a revenue forecast was done going out six years for capital needs, which were factored in. He said these resources will not all be spent in the next fiscal year, but will cover the capital improvement requirements for the Department for the next few years.

Commissioner Pullman said she understood that water improvements were anything outside the Truckee Meadows Water Authority's jurisdiction and the South Truckee Meadows General Improvement District only does water. Mr. McKnight said that was correct. He said the sewer line capital improvements were the Pleasant Valley Interceptor and one in Spanish Springs. He said, if there were an obligation between the County General Fund and the Water and Sewer Fund, they could bond to repay that obligation. As background, he stated in 1991 there was a plan to build the South Truckee Meadows Water Reclamation Facility, but it was determined there was not enough development to fund the facility once the decision was made to pull out the Galena Enterprises development. He declared, since the Commissioners supported that withdrawal, it was decided the General Fund would help cover the debt until such time as the development could pick up the cost. He said that was tracked as a contribution by the General Fund to the utility operation; and, once the development reached the point where it could pick up the cost, the utility operation started repaying the debt. Mr. McKnight explained it has been paid down to \$3 million from a high of \$13 million and was scheduled to be fully repaid by next fiscal year. He said it was not a subsidy of operations, but was to help carry debt for that major project. He pointed out when the County consolidated water operations, it was a General Fund activity for many years, which was billed back to the general fund as a service provided by the Water Resources Department. He said it showed for a long time as a transfer and people thought it was a subsidy of operations, but it was paying for regional planning effort.

In response to Commissioner Galloway, Mr. McKnight said the 2.94 coverage is for all water and sewer utility supported debt, but not for the General Fund debt or any other debt. He explained the \$2.2 million is the debt in the 2006 budget before this new debt was scheduled. He said the coverage ratio was based on the highest projected debt service over the term of the bonds and the debt rate goes up or down as some debt is paid off.

Commissioner Wolf asked where the water was coming from for the South Truckee Meadows water system. Mr. McKnight replied it would be a combination of creek water and pumping groundwater from the valley floor, which can be used after it goes through the treatment plant to bring it up to the standards of the Clean Water Drinking Act. He said the primary contaminant is arsenic.

In response to Commissioner Pullman, Mr. McKnight confirmed the creek water would not be flowing into the Truckee River, which does not happen currently as it has been traditionally used for agricultural purposes.

On motion by Commissioner Galloway, seconded by Commissioner Pullman, which motion duly carried, it was ordered that the following Resolution be adopted and Chairman Pugh be authorized to execute the same:

RESOLUTION

A RESOLUTION CONCERNING THE SUBMISSION TO THE WASHOE COUNTY DEBT MANAGEMENT COMMISSION OF A PROPOSAL TO ISSUE WASHOE COUNTY, NEVADA, GENERAL OBLIGATION WATER AND SEWER BONDS (ADDITIONALLY SECURED BY PLEDGED REVENUES) IN THE MAXIMUM PRINCIPAL AMOUNT OF \$65,000,000; CONCERNING ACTION TAKEN THEREON BY THE COMMISSION; AND APPROVING CERTAIN DETAILS IN CONNECTION THEREWITH.

WHEREAS, pursuant to §§ 350.011 through 350.0165, Nevada Revised Statutes ("NRS"), Washoe County, Nevada (the "County"), notified the secretary of the Debt Management Commission of Washoe County (the "Secretary" and the "Commission," respectively) of the County's proposal to issue general obligations and submitted a statement of the County's proposal in sufficient number of copies for each member of the Commission; and

WHEREAS, the Board of County Commissioners of the County (the "Board") proposes (subject to the approval of the proposal to issue general obligations by the Commission) to issue the bonds described in the following proposal:

GENERAL OBLIGATION WATER AND SEWER BOND ADDITIONALLY SECURED BY PLEDGED REVENUES PROPOSAL:

Shall the Board of County Commissioners of Washoe County in the State of Nevada, be authorized to incur a general obligation indebtedness on behalf of the County

by the issuance at one time, or from time to time, of the County's general obligation (limited tax) water and sewer bonds, in one series or more, in the aggregate principal amount of not exceeding \$65,000,000 for the purpose of financing, wholly or in part, the acquisition, construction, improvement and equipment of water projects, including, but not limited to, facilities pertaining to the County water system as provided in NRS 244A.056 and sewerage projects,, including but not limited to, facilities pertaining to the County sewer system and drainage and flood control system, such bonds to mature commencing not later than five (5) years from the date or respective dates of the bonds and ending not later than thirty (30) years therefrom, to bear interest at a rate or rates not in excess of the statutory maximum rate in effect at the time bonds are sold, to be payable from general (ad valorem) taxes (except to the extent pledged revenues and other moneys are available therefor), and to be issued and sold at par, or below or above par, and otherwise in such manner, upon such terms and conditions, and with such other detail as the Board may determine, including at its option but not necessarily limited to provisions for the redemption of bonds prior to maturity without or with the payment of a premium?

(the "Proposal"); and

WHEREAS, pursuant to NRS § 350.0145, the Secretary, with the approval the Chairman of the Commission, thereupon, within ten days from the receipt of the Proposal, gave notice of a meeting to be held not more than twenty days thereafter, and provided a copy of the Proposal to each member of the Commission with the notice of the meeting and mailed notice of the meeting to the chief financial officer of each municipality in Washoe County, Nevada which has complied with subsection 1 of NRS 350.013 within the past year; and

WHEREAS, the Board has determined and found that no increase in the rate of an ad valorem tax is anticipated to be necessary for the payment of the Bonds described in the Proposal for the term thereof (the "Finding"); and

WHEREAS, the Commission has heard anyone desiring to be heard and has taken other evidence relevant to its approving or disapproving the Proposal and the Finding; and

WHEREAS, the Commission has considered all matters in the premises.

NOW, THEREFORE, BE IT RESOLVED BY THE DEBT MANAGEMENT COMMISSION OF WASHOE COUNTY, NEVADA:

Section 1. This resolution shall be known as the "2005 Water and Sewer Bond DMC Approval Resolution."

Section 2. The provisions of NRS §§ 350.013 to 350.015 have been met, and the Proposal for the issuance of general obligation (limited tax) water and sewer bonds additionally secured by pledged revenues in the aggregate principal amount of \$65,000,000 and the Finding are approved.

Section 3. The Commission and the officers thereof hereby are authorized and directed to take all action necessary or appropriate to effectuate the provisions of this resolution.

Section 4. All bylaws, orders, resolutions or parts thereof in conflict with this resolution are hereby repealed. This repealer shall not be construed to revive any bylaw, order, resolution or part thereof heretofore repealed.

Section 5. If any section, paragraph, clause or provision of this resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of the section, paragraph, clause or provision shall not affect any of the remaining provisions of this resolution.

Section 6. This resolution shall become effective and be in force immediately upon its adoption.

05-20DMC SET DATES FOR QUARTERLY MEETINGS FOR 2005/06

On motion by Commissioner Galloway, seconded by Commissioner Pullman, which motion duly carried, Chairman Pugh ordered that the quarterly meeting dates for the Debt Management Commission for 2005/06 be approved as follows with the time remaining at 3:00 p.m.: November 18, 2005, February 10, 2006, May 19, 2006, and August 18, 2006.

MEMBER COMMENTS

Commissioner Wolf stated the Legislature passed legislation authorizing payment for At-Large members and asked if it had to be approved by the County. Paul Lipparelli, Legal Counsel, said he would provide that information at the next meeting.

Commissioner Galloway said if County action is needed he will get it agendized, and it could be made retroactive to the beginning of the fiscal year. He said he did not believe any action was needed by the DMC; but, if it was, he suggested calling a special meeting.

PUBLIC COMMENTS

There was no response to the call for public comments.

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There being no further business to come before the Board, the meeting adjourned at 3:47 p.m.

RICHARD PUGH, Chairman
Debt Management Commission

ATTEST:

AMY HARVEY, County Clerk
and Ex Officio Secretary,
Debt Management Commission

*Minutes Prepared by
Jan Frazzetta, Deputy County Clerk*