

**WASHOE COUNTY DEBT MANAGEMENT COMMISSION
SPECIAL MEETING**

FRIDAY

11:00 A.M.

JUNE 3, 2011

PRESENT:

Michelle Salazar, Member At-Large, Vice Chairperson
Dan Gustin, Reno City Council, Member
Dan Carne, Washoe County School District, Member
James Hunting, Member At-Large, Member
Ted Fuller, GID Representative, Incline Village, Member

Amy Harvey, County Clerk
Paul Lipparelli, Assistant District Attorney

ABSENT:

John Breternitz, Washoe County Commissioner, Chairman
Geno Martini, Sparks City Mayor, Member

The Washoe County Debt Management Commission met at 11:02 a.m. in the Washoe County Caucus Room, Administration Complex, 1001 East Ninth Street, Reno, Nevada, in full conformity with the law, with Vice Chairperson Salazar presiding. Following the Pledge of Allegiance to the flag of our Country, the Clerk called the roll and the Board conducted the following business:

11-09DMC AGENDA ITEM 4

Agenda Subject: "Public Comments"

There was no response to the call for public comment.

11-10DMC AGENDA ITEM 5

Agenda Subject: "Administer Oath of Office."

There was no public comment on this item.

Amy Harvey, County Clerk, administered the Oath of Office to At-Large Member James Hunting and General Improvement District Member Ted Fuller.

11-11DMC

AGENDA ITEM 6

Agenda Subject: “Approval of the minutes of the February 4, 2011 meeting.”

There was no response to the call for public comment.

On motion by Member Gustin, seconded by Vice Chairperson Salazar, which motion duly carried with Chairman Breternitz and Member Martini absent, it was ordered that Agenda Item 6 be approved.

11-12DMC

AGENDA ITEM 7

Agenda Subject: “Discussion and possible action on a Resolution concerning the submission to the Washoe County Debt Management Commission by the Washoe County School District, of a proposal to issue up to \$35,000,000 of General Obligation Bonds previously approved by the voters; and approving certain details in connection therewith.”

Marty Johnson, Washoe County School District (District) Financial Advisor, explained the District had the authority to issue roll-over bonds through November, 2012 and part of that process was to ensure the District could meet certain criteria to issue the bonds.

Mr. Johnson stated the District’s Board of Trustees approved the proposal, the Bond Oversight Panel met and approved the bonds, and after the Debt Management Commission (DMC) approved the Resolution, the Board of Trustees would hold a meeting to approve the Resolution and authorize the issuance of the bonds. The DMC was tasked with determining if there would be an impact on the tax rate and to look at the debt limit for the entity. Also, the DMC was to determine the conditions under which the District could issue bonds, as were imposed under the question approved by the voters. He noted the projected property tax revenues for the District’s existing tax rate would be sufficient and that the balance in the debt service reserve account was at least equal to the lesser of the next fiscal year’s debt service, or 10 percent of the par amount of the outstanding general obligation bonds and the proposed bonds.

Mr. Johnson directed the Board to page 6 of the financial information provided stating the debt limit was based on 15 percent of the assessed value and that debt limit was for the District alone; the County, the Cities and the other Districts all had their own debt limit. After issuing the bonds the District would have in excess \$1.5 billion in debt limit still available.

Mr. Johnson stated page 7 demonstrated the issuance of the bonds would not adversely impact the ability of other local governments to levy a property tax and the bonds could be paid from the existing \$0.3885 cent tax rate. The payments on their outstanding General Obligation Bonds, as well as the estimated payments on the proposed bonds, were shown on page 7. The District, over the years, had generated property tax revenues over and above what was required for their debt service. The interest earnings in the debt service fund continued to build up that balance. He said the District intended to use approximately \$18.5 million in the

debt service fund to eliminate the debt service payments prior to the issuance of these bonds. The estimated interest rate would be 4.25 percent or less.

Mr. Johnson next referenced page 9 to discuss the debt service coverage from the tax rate and the estimated property tax revenues through 2019. He stated there would also be interest earnings that could be used to repay the bonds. The debt service sweep proposed by the Governor, but not yet adopted, would lower the reserve account, first to 50 percent and then down to 10 percent. He believed that bill was no longer being proposed. AB 183 would allow for the reserve requirement to be reduced to 25 percent, but would not require that money to be transferred which would allow the District to use that money to defease debt.

Mr. Johnson stated page 11 showed the revenues and expenditures, the defeasance cost of \$18.5 million and the ending balance, which was projected to be a little above \$49 million. After defeasance and the issuance of the new bonds, the requirement was a little below \$48.9 million. The estimated balance in the reserve account would be at least equal to that minimum requirement.

Member Fuller requested information regarding specific use of the funds. Mr. Johnson explained the last page of the financial information provided to the Board identified the categories and use of the funds. He said there were needs for more than the \$35 million.

Member Gustin asked about servicing the debt and the possible negative impacts between now and 2019 on property taxes. He wondered how secure the District was with regard to property taxes in the future and the projected decline. Mr. Johnson explained the mechanics of how the bonds were repaid from the revenues of the \$0.3885 cent tax rate. He stated the District's debt service reserve account would cover the debt service if the property tax revenues did not bring in enough to cover the debt service. At the end of 2011, the District was expecting \$49 million to be in the reserve account, which would be used to help make the payment. Member Gustin asked what the total cost would be to service the debt in terms of interest. Mr. Johnson replied that in 20 years the total interest would be approximately \$22 million, at the average interest rate of 4 percent. He said when the bonds were sold the District would refund other bonds to capture interest rate savings.

Member Gustin wondered if the bonds were recalculated or if they were at a fixed rate. Mr. Johnson replied they were at a fixed rate. The only way the rate could change was if they paid them off early. Member Gustin inquired if there would be a fee for selling them early. Mr. Johnson said there would be transaction costs for issuance, but there would not be any penalties for paying them off early. He said the funds would be put into an irrevocable escrow account to withdraw \$3 million a year from 2012 to 2020, which would take care of specific debt service payments and those payments would no longer be an obligation of the District. The rest would come out of the property tax revenues. Member Gustin stated if the property tax rate shrank considerably, the District would still be covered. Mr. Johnson stated that was correct.

Vice Chairperson Salazar clarified how AB183 would affect the reserve account and the transfer of money. Mr. Johnson said transfer of funds would be optional and the only

thing the District could use transferred funds for would be to pay off bonds, which would reduce the debt service.

Vice Chairperson Salazar stated on page 4 of the financial presentation (Exhibit III), it referred to the total assessed value for Fiscal Year 2011 as \$13,658,850,921, but on page 6 it referred to the total assessed value as \$13,976,020,061 (difference of approximately \$317 million). She wondered if that was for the Redevelopment Agencies. Mr. Johnson confirmed that was correct; \$200 million for Sparks and \$117 million for Reno.

On motion by Member Gustin, seconded by Member Fuller, which motion duly carried with Chairman Breternitz and Member Martini absent, it was ordered that Agenda Item 7 be approved, executed and adopted. The Resolution for said item is attached hereto and made a part hereof.

11-13DMC AGENDA ITEM 8

Agenda Subject: "Member comments."

There were no member comments.

11-14DMC AGENDA ITEM 9

Agenda Subject: "Public Comments"

There was no response to the call for public comment.

* * * * * * * * * * *

ADJOURNMENT

11:23 a.m. On motion by Member Gustin, seconded by Member Hunting, which motion duly carried with Chairman Breternitz and Member Martini absent, it was ordered that the meeting be adjourned.

MICHELLE SALAZAR, Vice Chairperson,
Debt Management Commission

ATTEST:

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

*Minutes Prepared by
Jaime Delleria, Deputy County Clerk*