

**WASHOE COUNTY DEBT MANAGEMENT COMMISSION
ANNUAL MEETING**

FRIDAY

11:00 A.M.

AUGUST 15, 2014

PRESENT:

Sandra Ainsworth, GID Representative, Sun Valley, Chairperson
Dave Aiazzi, Washoe County School District, Vice Chairperson
Michelle Salazar, At-Large, Member
Geno Martini, Sparks City Mayor, Member
Marsha Berkgigler, Washoe County Commissioner, Member
Thomas Cornell, At-Large, Member

Nancy Parent, County Clerk
Paul Lipparelli, Assistant District Attorney

ABSENT:

Neoma Jardon, Reno City Council, Vice Chairperson

The Washoe County Debt Management Commission met at 11:00 a.m. in the Washoe County Caucus Room, Administration Complex, 1001 East Ninth Street, Reno, Nevada, in full conformity with the law, with Chairperson Ainsworth presiding. Following the Pledge of Allegiance to the flag of our Country, the County Clerk called the roll and the Board conducted the following business:

14-011DMC AGENDA ITEM 4

Agenda Subject: "Public Comments."

There was no response to the call for public comment.

14-012DMC AGENDA ITEM 5

Agenda Subject: "Approval of the minutes for the DMC quarterly meeting of May 8, 2014."

On motion by Member Martini, seconded by Member Berkgigler, which motion duly carried with Member Salazar abstaining and Member Jardon absent, it was ordered that Item 5 be approved.

Agenda Subject: “Discussion and action to establish priorities among essential and nonessential facilities and services pursuant to NRS 350.0155(2) that shall be considered by the Debt Management Commission if the statutory ceiling established by the Debt Management Commission for the combined tax rate in any of the overlapping entities within the county is exceeded by a proposed debt or a special elective tax and compare that public need to other public needs that appear on certain filed statements of current and contemplated debt.”

Paul Lipparelli, Legal Counsel, stated the submitted staff reports dated back to 2010, but the practice of the Debt Management Commission (DMC) went back many years. He explained that following a mandate from the Legislature, the DMC as guardian of the tax cap had to decide at their annual meeting the threshold percentage and establish priorities for future debt proposals.

Mr. Lipparelli stated the State imposed a tax cap of \$3.64 per \$100 of assessed value. He noted the DMC was given the role of establishing a set of priorities that would be used in the event it would be necessary to evaluate two competing proposals that were looking for the last few pennies of the tax cap. Traditionally, the DMC had established the priorities as Public Safety, Health and Education Facilities and Services as essential. The DMC would then have the flexibility they needed in the event they were in the “red zone” of the last few cents of tax cap. If the DMC wished to continue with tradition, he said a motion could be made to establish those same priorities as being essential.

Member Cornell said that was the current policy and other entities were left out, such as the Library. Mr. Lipparelli stated he was not making a recommendation to the Board to keep those priorities; he was only advising them of what the current policy was and what had worked in the past.

Member Aiazzi stated those priorities established were not in any order. Mr. Lipparelli stated that was correct, they were all judged equally. Member Aiazzi asked what entity could actually bring something forward for a tax increase. Mr. Lipparelli responded the public could through an initiative, but the County, the School District, General Improvement Districts and the Cities all had tax authority. Member Aiazzi confirmed that under Education, facility issues could be brought forward.

On motion by Member Aiazzi, seconded by Member Berkbigler, which motion duly carried with Member Jardon absent, it was ordered that Public Safety, Health and Education Facilities and Services be set as the priorities as recommended by Legal Counsel.

Agenda Subject: “Discussion and action to specify a threshold percentage of the statutory ceiling for the combined property tax rate in any of the overlapping entities within the county which if exceeded permits the Debt Management Commission to inquire into the

public need to be served by proposed debt or a special elective tax based on established priorities among essential and nonessential facilities and services and compare that public need to other public needs that appear on certain filed statements of current and contemplated debt (Pursuant to NRS 350.0155(1) the percentage must not be less than 75 percent).”

Paul Lipparelli, Legal Counsel, stated the law gave the Debt Management Commission (DMC) the role of evaluating debt proposals and tax levies based on certain criteria, which were typically to evaluate the tax revenue from the property taxes that would be needed to service the debt. If it appeared the proposal would fall into the range of the tax cap that was within the specified percentage of the top limit, the DMC would obtain additional authority to evaluate the proposal by comparing the public need of other entities and other public needs that appeared on the filed annual statements. When the DMC set the percentage, which had to be at least 75 percent, the DMC would be establishing the point above which the DMC would engage in a comparative analysis rather than just using the standard criteria. Historically, the DMC had chosen 90 percent as the threshold, but could set it anywhere from 75 percent to 99 percent. He said the recommendation was to set it at 90 percent.

Member Berkgigler asked what would be the “value” reason for lowering or raising the threshold. Mr. Lipparelli stated the 90 percent threshold would put everyone at the \$3.27 level. He explained any proposed debt that involved combined taxes and the overlapping jurisdictions of \$3.27 or more would give the DMC the extra power to do a comparative analysis. If the DMC lowered it, they would do a comparative analysis for more proposals, but fewer if it was raised.

Member Cornell asked if the DMC would review all proposals if the threshold was lowered to 75 percent. Mr. Lipparelli stated that was correct. Member Cornell thought that would be a good idea and wondered if there was any problem associated with reviewing all proposals. Mr. Lipparelli stated in addition to the thresholds, the DMC could also find themselves being the referee between two jurisdictions who came forward with a proposal at the same time. Under the law, if someone was proposing debt and there was another affected entity, the DMC would have to give notice to the affected entity and that entity would get to make a statement of whether or not they supported or opposed the proposal. He thought if the DMC lowered the threshold to 75 percent; it would increase the likelihood they would take on a greater role in the potential dispute between the two local governments. He stated there was nothing wrong with it, but it would increase the role of the DMC.

Chairperson Ainsworth asked if it would change other entities’ budgets and spending, because it would cut back their allotment of the taxes. Mr. Lipparelli stated there was a process where the Nevada Revised Statute (NRS) envisioned that the two agencies would try to agree as to whom would get what, but in the event there wasn’t an agreement, it would default to the State Department of Taxation for resolution. He said the DMC did not have the authority to force an entity to lower their taxes, but they could end up not being able to approve proposals based on those limitations.

Member Berkbigler stated the last thing she wanted to do was to give the State more power over local governments. She said there must be a reason the threshold was set at 90 percent. Mr. Lipparelli stated the threshold had been 90 percent since 2001.

Member Cornell stated the higher threshold percentage would avoid controversy, because most members of the DMC consisted of representatives from the jurisdictions. He would support going back to 75 percent to allow for more discussion regarding taxation and debt.

Member Berkbigler stated if there was any potential for the State to play a larger role in determining the funding of the local governments, she would not be able to support it. Member Aiazzi said every year each entity could raise their taxes by a certain percentage without coming to the DMC, if they were not going into debt. He said for example, if the City of Sparks paid off a bond and there was 2 cents left in the cap, they could increase their property taxes by 2 cents.

Member Cornell said when the threshold was at 75 percent, there was room under the cap and those issues would come forward. Member Aiazzi stated that was correct and the tax cap was probably at \$3.50 at that time, so there was plenty of room. Mr. Lipparelli corrected the discussion by stating he did not believe the threshold was ever set at 75 percent.

On motion by Member Martini, seconded by Member Berkbigler, which motion duly carried with Member Jardon absent, it was ordered that the threshold be set at 90 percent.

14-015DMC AGENDA ITEM 8

Agenda Subject: “Review and accept the following 2014 Annual Reports from all Washoe County political subdivisions:”

Member Aiazzi asked if the Sierra Fire Protection District had gone into debt to build their fire stations. John Slaughter, County Manager, stated the Truckee Meadows Fire Protection District used a combination of cash and grants. Member Aiazzi asked if the two districts, Sierra Fire Protection District and the Truckee Meadows Fire Protection District were one in the same. Mr. Slaughter stated they were still separate.

On motion by Member Martini, seconded by Member Berkbigler, which motion duly carried with Member Jardon absent, it was ordered the following 2014 Annual Reports be accepted:

- A. Indebtedness Reports
- B. Debt Management Plans
- C. Capital Improvement Programs

Airport Authority:	Letter showing no outstanding debt
Carson-Truckee Water Conservancy District:	A, C
Gerlach General Improvement District	A, C (amended A)
Grandview Terrace Water District	Letter showing no outstanding debt

Incline Village General Improvement District:	B, C
North Lake Tahoe Fire Protection District:	A, B, C
Palomino Valley General Improvement Dist.:	A, C
Regional Transportation Commission:	A, C
Reno, City of:	A, B, C
Reno Redevelopment Agency #1 & #2:	A
Reno/Sparks Convention & Visitors Authority:	A, B, C
Sierra Fire Protection District:	A, B, C
S. Truckee Meadows Gen. Improvement Dist.:	A, C
Sparks, City of:	A, B, C
Sparks Redevelopment Agency #1 & #2:	C
Sun Valley General Improvement District:	A, C
Truckee Meadows Fire Protection District:	A, B, C
Truckee Meadows Water Authority:	A, B, C
Verdi Television District:	A
Washoe County:	A, B, C
Washoe County School District:	A, B, C
Western Regional Water Commission	A, C

14-016DMC AGENDA ITEM 9

Agenda Subject: “Discussion and possible action on a Resolution concerning the submission to the Washoe County Debt Management Commission of a proposal to issue Washoe County, Nevada, General Obligation Building Bonds (Additionally Secured by Pledged Revenues) in the maximum principal amount of \$12,000,000; and approving certain details in connection therewith.”

Kathy Ong, Financial Advisor, Ong and Associates, reviewed the report submitted to the Debt Management Commission (DMC). She introduced Kendra Follett, Bond Counsel, Sherman and Howard. Ms. Ong stated Washoe County was seeking approval from the DMC to issue General Obligation Limited Tax building bonds for the Medical Examiner’s (ME) building in an amount not to exceed \$12 million. The bonds would be paid by consolidated tax pledged revenues and there would be no impact on the tax rate. She noted on page 1 of the handout, it showed there were certain criteria that had to be met before the authorization of the debt issuance. She said that criteria had been satisfied. Page 5 showed the outstanding obligations of the County secured by consolidated tax pledged revenues and the current outstanding debt for all the existing bonds, including the proposed bonds was \$71.2 million. Page 6 showed all the outstanding debt of the County, which was currently at \$278 million. She noted page 8 described the debt capacity of the County; the County’s debt limitation for General Obligation Bonds was based on 10 percent of the County’s assessed valuation, which amounted to \$1.25 billion. The remaining capacity of \$956 million showed there was plenty of capacity under the debt limitation. Page 10 showed the existing debt service of the consolidated tax pledged revenue bonds in addition to the proposed bond debt service, for a total debt service for both the existing as well as the proposed at approximately \$6.19 million. Page 11 reflected the sufficiency of the revenues versus the debt service and the critical coverage line. In 2014, they estimated a 2.78 times coverage, which indicated there was plenty of coverage to pay the debt.

Page 12 showed the same table, but on a forward projection basis to 2036. Ms. Ong stated the last section represented other contemplated debt or overrides by other overlapping entities.

Member Cornell asked if the Board of County Commissioners (BCC) voted unanimously on this proposal. Nancy Parent, County Clerk, said the BCC voted to send this proposal to the DMC for review.

Member Cornell said the BCC had to look at the details and he wondered if there were any other alternatives discussed. John Slaughter, County Manager, stated the existing facility was not built as a ME facility. It had been retrofitted over the years and it was woefully inadequate. He said the proposal was to build a modern facility because there were a number of interaction issues related to families coming to the facility, the exterior of the facility, improper screening and security, disposal of waste and other deficiencies. He said the project was under the County's Capital Improvement Plan (CIP), which was approved by the BCC.

Paul Lipparelli, Legal Counsel, stated the DMC's role was to police the tax cap and not to judge the merits of the proposals from the various entities as long as the proposals were within the CIP and they had the tax capacity to service the debt. He said it was the DMC's job to make sure the use of the tax cap was appropriate given all of the needs of the community. He stated it was only when there was a competing proposal for the tax cap that the DMC would get into a comparison of the public need of the two competing proposals, but this was not such a proposal.

Member Aiazzi asked where the new building was going to be built. County Manager Slaughter stated across from the County Complex.

Kendra Follett, Bond Counsel, Sherman and Howard, said the statute governing DMC stated the County could not take any action in furtherance of the issuance of bonds until the DMC had approved them. That was why no approval process had yet occurred other than the BCC requesting the DMC to meet and approve the proposed issuance of bonds. She said the County's next step was to adopt an intent resolution which would start the 90-day petition period, and then the BCC would issue the bond ordinance.

Member Cornell surmised that there had been no controversy over the building of the facility; it was something the BCC and staff had been involved in. The other members concurred.

Member Aiazzi stated it was frustrating that the State made the DMC hold this meeting, but gave them no authority or power to do anything.

On motion by Member Aiazzi, seconded by Member Martini, which motion duly carried with Member Jardon absent, it was ordered Agenda Item 9 be adopted. The Resolution for same is attached hereto and made a part hereof.

14-017DMC AGENDA ITEM 10

Agenda Subject: “Set dates/times for DMC meetings for 2014/15.”

Nancy Parent, County Clerk, informed the Board of the following proposed dates: November 14, 2014, February 7, 2015, May 8, 2015 and August 14, 2015.

On motion by Member Martini, seconded by Member Berkgigler, which motion duly carried with Member Jardon absent, it was ordered the proposed dates be accepted:

14-018DMC AGENDA ITEM 11

Agenda Subject: “Member Comments.”

There were no member comments.

14-019DMC AGENDA ITEM 12

Agenda Subject: “Public Comments.”

There was no response to the call for public comment.

ADJOURNMENT

11:41 a.m. On motion by Member Martini, seconded by Member Aiazzi, which motion duly carried with Member Jardon absent, the meeting was adjourned.

Sandra Ainsworth, Chairperson,
Debt Management Commission

ATTEST:

NANCY PARENT, County Clerk
and Ex Officio Secretary,
Debt Management Commission

*Minutes Prepared by
Jaime Deller, Deputy County Clerk*