

**WASHOE COUNTY DEBT MANAGEMENT COMMISSION
WASHOE COUNTY, NEVADA**

FRIDAY

1:00 P.M.

DECEMBER 11, 2015

PRESENT:

Bob Lucey, Washoe County Commissioner, Chairperson
Naomi Duerr, Reno City Council, Vice Chairperson
Sandra Ainsworth, GID Representative, Member
Veronica Frenkel, Washoe County School District Member
Bob Kirtley, At-Large Member

Jan Galassini, Chief Deputy County Clerk
Paul Lipparelli, Legal Counsel

ABSENT:

Geno Martini, Sparks City Mayor, Member
Michelle Salazar, At-Large Member

The Washoe County Debt Management Commission convened at 1:00 p.m. in the Washoe County Caucus Room, Administrative Complex, 1001 East Ninth Street, Reno, Nevada, in full conformity with the law, with Chairperson Lucey presiding. Following the Pledge of Allegiance to the flag of our Country, the Chief Deputy Clerk called the roll and the Board conducted the following business:

15-036DMC AGENDA ITEM 4 Public Comment.

There was no response to the call for public comment.

15-037DMC AGENDA ITEM 5 Approval of the minutes for the Debt Management Commission annual meeting of August 14, 2015.

On motion by Member Duerr, seconded by Member Ainsworth, which motion duly carried with Members Martini and Salazar absent, it was ordered that Agenda Item 5 be approved.

15-038DMC AGENDA ITEM 6 Consideration and possible adoption/execution of 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; concerning action taken thereon by the Commission; and approving certain details in connection therewith.

Tom Ciesynski, Washoe County School District (WCSD) Chief Financial Officer, introduced Marty Johnson from JNA Consulting Group, LLC. and Jennifer Stern

from Sherman and Howard. Mr. Johnson was the financial advisor for the WCSD and Ms. Stern was the bond legal counsel for the WCSD.

Mr. Ciesynski stated the purpose of the bonds was to help the WCSD with revitalization and renewal needs. He indicated the WCSD's spending plan was about \$20 million. He noted the majority of the funds were being used to take care of the WCSD's existing facilities. The WCSD had a facilities' condition index system that informed them when assets were becoming unusable. The WCSD occupied seven million square feet of property in the County. He said the majority of the bond issue would address revitalization and renewal needs for the WCSD. As a result of the County's explosive growth, he mentioned the WCSD was also looking at opportunities to acquire some land to build new schools. He noted money was set aside in the bonds for that purpose.

Member Duerr questioned how the WCSD had the ability to spend \$20 million since Assembly Bill (AB) 46, which authorized the issuance of bonds for the purpose of repairing existing infrastructure, was not approved by the Board of County Commissioners.

Mr. Ciesynski noted in the last legislative session, the Legislature took action to renew the WCSD's Rollover Bond process which expired in November 2012. The renewal extended the rollover provisions for 10 more years.

Member Duerr asked whether the rollover meant that the WCSD could reissue new bonds for the paid-off portion of the old bonds.

Mr. Ciesynski said yes. He noted as assessed valuation grew and if the WCSD paid off its debt, the WCSD could continue to issue debt as long as it was not exceeding the \$0.3885 tax rate associated with the rollover bonds.

Member Kirtley asked whether the new expiration date of the rollover would be March 3, 2025.

Mr. Johnson said yes.

Member Kirtley sought clarification as to whether capital was the WCSD's physical infrastructure.

Mr. Ciesynski stated renewal was basically fixing something that needed to be fixed; whereas, revitalization was upgrading something to newer standards. He gave examples of renewal; such as, the replacement of an existing boiler or replacing a car battery. He also gave examples of revitalization which included improving the sound proofing in a wall and repainting a car. In response to the physical infrastructure, he noted major capital infrastructure were the buildings, primarily the roofs and the interior walls.

Member Duerr asked whether the WCSD no longer needed AB46 because it received the authority to rollover the bonds.

Mr. Ciesynski said no. The WCSD still needed additional capital funding on top of the rollover funds for new capital construction. He stated another result of the legislative session was Senate Bill 411 which provided the WCSD the ability to propose a ballot question. The Public Schools Overcrowding and Repair Needs Committee was working on a ballot question to provide additional funding the WCSD was going to need to build new schools. If everything went according to plan, the ballot question would appear on the November 2016 ballot.

Mr. Johnson noted rollover bonds were something that was developed by the Legislature in 1997. Essentially it gave school districts the ability to put a question on the ballot that would keep the current tax rate in place. In the County's case, the tax rate was \$0.3885. As long as the WCSD could repay the bonds that it wanted to issue and it maintained a reserve fund balance, the WCSD could issue bonds. The authorization to do such was good for a 10 year period. The authorization had been reauthorized by the Legislature in March 2015 so the authorization was good until March 2025. He said the property tax revenues generated by the \$0.3885 tax rate would come to the WCSD. The revenues could be used to repay bonds. To the extent the WCSD covered the payment of debt service and it provided for the minimum reserve requirement that it had to carry in the service fund, the WCSD could use the remainder of the revenue on capital projects. The money could only be utilized on capital projects.

Mr. Ciesynski added this was really important because the WCSD would be asked if the funds could be used to pay for teachers' contracts. He reiterated the funds could only be used for capital construction.

Mr. Johnson stated under the rollover authorization, before the WCSD could issue bonds, it had to get the approval of the WCSD Board of Trustees, the Bond Oversight Panel, and the Debt Management Commission.

Mr. Kirtley asked if the need was determined by the indexing system Mr. Ciesynski mentioned.

Mr. Ciesynski replied yes. He said the need could be for the existing facilities which happened to be the case. The need could also be for the construction of a new school due to overcrowding.

Mr. Johnson went through the financial information report highlighting the WCSD's outstanding general obligation debt, proposed bonds, and the general obligation debt limit. He noted the WCSD still had over \$1.6 billion within its debt limit. He continued with the presentation by going over the outstanding and proposed debt service requirements, the estimated debt service coverage, and the required debt service reserve account balance.

In response to Member Frenkel's request for Mr. Ciesynski to elaborate on the data gallery, Mr. Ciesynski noted the WCSD had a data gallery whereby it presented the WCSD's financial information. It included what the WCSD paid people, the invoices it paid, and an interactive budget. There was also a facilities' needs section which allowed the user to view information regarding the facilities' condition for each site within the WCSD. The user could see what needed to be fixed and when it was scheduled to be fixed.

Member Kirtley asked whether the data gallery provided reserve studies, estimates of what the total funding would be by facility, or replacement requirements for the required capital projects.

Mr. Ciesynski stated the WCSD's Facilities Management department outlined just about every aspect of the assets. He believed the data gallery would address all of his questions.

Member Duerr asked what the retirement date was for the \$20 million in proposed bonds.

Mr. Johnson replied the WCSD planned to issue the bonds as 20-year bonds. The bonds issued in February 2016 would mature in 2036. He noted financing also depended on the projects. If a project had a 10-year useful life, then it would only be financed for 10 years. He added the WCSD generally did 20-year bonds.

Member Duerr asked whether the WCSD would be tapped out as far as its bonding capacity if it went forward with the \$20 million and \$15 million bonds.

Mr. Johnson referred to the Estimated Debt Service Coverage schedule within the report. He stated as revenue went up, it created room between the revenue and the debt service, which would create the additional capacity to issue more bonds. He noted for anything over the \$35 million, the WCSD had to obtain authorization from the Board of Trustees, go to the Oversight Panel and then obtain approval from the Debt Management Commission. He said the WCSD would have the ability to do more; however, it was dependent on the growth was in property tax revenue.

Chairperson Lucey noted he saw where the Bond information was which amounted to \$20 million but asked where the other \$15 million was located in the report.

Mr. Johnson stated the remaining amount had not been specifically identified but it was meant for capital renewal.

In response to Member Duerr's question about whether funds had to be specifically identified, Ms. Stern explained Nevada Revised Statute 387.335 stated what Bond proceeds could be used for. It was up to the WCSD Board of Trustees to determine what the needs were and the priority of those needs. She gave an example where a certain

piece of property ended up not being available due to the discovery of a desert tortoise habitat. The WCSD would not be restricted to acquiring that particular piece of property and could go somewhere else. She added unlike prior ballot questions, the Rollover Bonds question allowed the broad authority to issue bonds for things the WCSD needed to address.

Member Duerr asked whether there needed to be a specifically identified package regarding the bonds with regards to the ballot question.

Ms. Stern stated under a traditional Bond question, whatever it took to repay the bonds would be the tax rate. The Bond question being discussed was different since the WCSD had to determine how much it could afford to issue within a specific tax rate.

Paul Lipparelli, Legal Counsel, stated if the Commission was satisfied that it examined all the relevant criteria, a motion could be to adopt the Resolution for the 2015 WCSD DMC approval of the proposal. He added he was involved in an Ethics Commission matter involving a proposal from a general improvement district (GID) which had a representative on the DMC, and that representative voted in favor of the proposal on both the GID Board and the DMC. There was criticism of that because the member failed to disclose he had voted for the proposal as a member of the GID Board. He said the Ethics Commission Officer relieved the member of any ethical violation. He wanted to note for the record that Member Frenkel was an elected member of the WCSD Board of Trustees. He asked Member Frenkel if she voted in favor of the Resolution as a Trustee.

Member Frenkel noted she voted in favor of the Resolution from the Washoe County School District Board of Trustees.

On motion by Member Frenkel, seconded by Member Duerr, which motion duly carried with Members Martini and Salazar absent, it was ordered that the DMC adopt the Resolution concerning the submission of the WCSD's proposal to issue up to \$35 million of general obligation bonds.

15-039DMC AGENDA ITEM 7 Review of County Entities' Debt Metrics (follow-up to prior meeting). Requested by Mark Mathers.

Mark Mathers, County Budget Manager, gave a comparative analysis presentation on the indebtedness of County entities. He highlighted the following topics: summary of County entities' debt, total outstanding debt by agency, comparison of general obligation (G.O.) debt to debt limit, percentage of debt limit used by agency, G.O. debt per capita, and ratio of annual G.O. debt service to general fund budget. He noted none of the entities were close to reaching their debt limit. He also noted entities were given the opportunity to verify the information in the report.

Member Duerr mentioned having a colored version of the Total Outstanding Debt by Agency chart would be helpful. She asked whether the chart represented all the entities that came before the Debt Management Commission (DMC).

Mr. Mathers indicated it was a global picture to show why some entities came before the DMC and some did not. He said the DMC only had the obligation or right to review certain types of debt. He mentioned what the DMC saw in August was a compilation of all debt management policies and all statements of indebtedness by all entities in the County. The law required them do provide the information but that did not necessarily mean they had to come to the DMC for approval of their debt.

In response to Member Duerr, Marty Johnson, Financial Advisor from JNA Consulting Group, LLC., stated if the Incline Village General Improvement District (GID) had general obligation backing, they would have to come before the DMC.

Jennifer Stern, Bond Legal Counsel from Sherman and Howard, noted a GID with a population less than 5,000 would have to come before the DMC for any kind of debt whether it was medium term revenue bond or a G.O. bond.

Member Duerr sought clarification as to whether a GID, with a population of over 5,000, only had to come before the DMC if it were going to issue G.O. bonds. Ms. Stern replied yes.

Member Duerr asked whether all entities would have to come before the DMC if they were going to issue G.O. bonds. Ms. Stern said the Truckee Meadows Water Authority (TMWA) would not because they did not have the authority to issue G.O. bonds. TMWA only had the authority to issue revenue bonds.

Mr. Mathers stated the law was confusing as it required an entity to file a debt management policy if they intended or had outstanding general obligation or special obligation bonds; for example, revenue bonds. He said an entity was required to file a debt management policy with the DMC if it had revenue bonds; however, the entity was not required to appear before the DMC if it wanted to issue revenue bonds. The entity was also not required to report on the revenue bonds in their debt policy.

Member Kirtley asked how Nevada compared to other states in regards to the statewide G.O. debt per capita.

Mr. Mathers indicated there was not any data available; however, the data could be gathered. He stated it would be a lot of work to obtain the information. He mentioned, through his experience working in other states, Nevada was pretty fiscally conservative in the amount of debt issued. He thought Nevada's debt ranked 45th in the nation. He added local government entities' level of debt was also pretty conservative.

Member Kirtley noted he did not want the DMC to incur any costs to acquire the data.

Member Duerr thanked Mr. Mathers for his report and she asked him if it was difficult to aggregate the information.

Mr. Mathers stated it took a couple hours of work. He added he was happy to compile the report on an annual basis if that was something the DMC would like him to do.

Member Duerr said it could be good for the current and future DMC members to have the report.

On motion by Member Duerr, seconded by Member Kirtley, which motion duly carried with Members Martini and Salazar absent, it was ordered that Agenda Item 7 be accepted.

15-040DMC AGENDA ITEM 8 Member Comments.

There were no member comments.

15-041DMC AGENDA ITEM 9 Public Comment.

Cathy Brandhorst spoke about matters of concern to herself.

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1:49 p.m. There being no further business to discuss, the meeting was adjourned without objection.

BOB LUCEY, Chairperson
Debt Management Commission

ATTEST:

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

*Minutes Prepared by:
Michael Siva, Deputy County Clerk*