

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

FRIDAY

11:00 A.M.

AUGUST 18, 2017

PRESENT:

Naomi Duerr, Reno City Council, Chair
Sandra Ainsworth, GID Representative, Member
Donald Abbott, Sparks City Council, Member
Malena Raymond, Washoe County School District, Member
Bob Kirtley, At-Large Member*

Nancy Parent, County Clerk
Dania Reid, Legal Counsel

ABSENT:

Bob Lucey, Washoe County Commissioner, Vice Chair
Michelle Salazar, At-Large Member

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

At the request of the Chair, Deputy District Attorney Dania Reid, City of Reno Interim Finance Director Jill Olsen and Washoe County School District Chief Financial Officer Tom Ciesynski introduced themselves to the Commission.

17-014DMC AGENDA ITEM 4 Public Comment.

There was no response to the call for public comment.

17-015DMC AGENDA ITEM 5 Approval of the minutes for the DMC quarterly meeting of February 17, 2017.

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

17-016DMC AGENDA ITEM 6 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.

Washoe County Budget Manager Mark Mathers stated Nevada Revised Statutes (NRS) required the Debt Management Commission (DMC) to take action to establish priorities among the essential and non-essential facilities that were financed by property taxes. Although NRS mandated this requirement, Mr. Mathers explained it was a moot issue in Washoe County because the County was at its maximum property tax rate of \$3.64; it was \$3.66 if one counted the 2 cents imposed by the State. He further explained if the County was under the maximum tax rate, the DMC would have to act as an arbiter to determine which entity with a request for ad valorem backed general obligation bonds would be permitted to take their bond measure to the voters. However, when the County was at its maximum tax cap no agency could go forward to the voters with a bond measure for any purpose. Nevertheless, the DMC had a duty to comply with state law and set forth which agencies it would consider essential versus non-essential. He said for a number of years the Commission had established essential facilities and services as those involving public safety, health and education, each of them with equal priority. He suggested if the Commission wanted to imitate history they would need to make a motion to establish public safety, health and education facilities as essential, all having priority, and then establish all other facilities and services as non-essential.

***11:04 a.m.** Member Kirtley arrived.

Chair Duerr asked how long the County had been at the tax cap of \$3.64. Mr. Mathers responded he thought the rate was attained approximately seven or eight years ago. Chair Duerr wondered if any other priorities had been established by the DMC other than public safety, health and education to which Mr. Mathers replied he did not think so.

Chair Duerr pondered what facilities would fall under the category of “health” and asked if the new Medical Examiner’s facility would be an example of a health facility. Mr. Mathers stated facilities for a health district would be an example and in terms of the State’s classification of functional budget units it would consider the Medical Examiner’s facility a health facility. He said it was also considered a public safety facility because it was formerly a part of the Sheriff’s Office. However, he agreed the building fit into the health facility category considering the County had financed it with a general obligation (GO) revenue bond using the County’s C Tax monies.

Chair Duerr recalled when the quarter cent sales tax was approved in 1997-98, the City of Reno split the monies, with one-eighth going towards the train trench project and the other one-eighth going towards the flood project. She added the first two buildings built with flood project money were the Public Safety Training Center and the Emergency Operations Center. She thought these were examples of public safety facilities. Mr. Mathers responded the situation described by Chair Duerr involved sales tax and therefore would not have been affected through the provision in the NRS that

governed property tax. If the County proposed to utilize property taxes to fund an expansion of the detention center that would be an example of a public safety facility for the purposes of this agenda item.

Chair Duerr asked if bonding for a park would fall within the non-essential category and Mr. Mathers replied yes. Chair Duerr wondered if the DMCs purpose was to resolve any conflicts that might arise based on whether a facility was considered essential or non-essential; she asked Mr. Mathers if he was aware of a situation like that. Mr. Mathers stated he would have to do some research to answer that question. He confirmed Chair Duerr requested him to conduct research regarding the property tax rate, the measures that went forward in the early 2000s and which measures were financed. Chair Duerr surmised the information might be very informative and useful to the Commission since most of the members had not served on the Board for very long.

On motion by Member Ainsworth, seconded by Member Kirtley, which motion duly carried with Members Lucey and Salazar absent, it was ordered to approve the recommendation to establish the proposed public safety, health and education facilities and services as essential, all having priority; and to establish all other facilities and services as nonessential.

17-017DMC AGENDA ITEM 7 Discussion and action to specify a threshold percentage of the statutory ceiling for the combined 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 non-essential facilities and services and compare that public need to other public needs that appear on certain filed statements of current and contemplated debt.

Washoe County Budget Manager Mark Mathers informed the Commission members that State law required the Debt Management Commission (DMC) to set a threshold percentage even though it was somewhat moot for Washoe County because it was at the \$3.64 tax limit. He explained the idea behind the law was to establish a threshold at which point discussions about priorities would come into play. He said there were minimum threshold percentages in the state law and noted since 2001 the DMC had maintained a threshold percentage of 90 percent or \$3.28. He reiterated the action was largely moot for Washoe County, but the law required the DMC to set the percentage at its annual meeting.

Chair Duerr confirmed with Mr. Mathers that the threshold percentage had been set at 90 percent in the past. In response to a question by Member Kirtley about incorporated areas, Mr. Mathers replied in regards to the maximum property tax rate he had been referring to the rates in the incorporated areas of Sparks and Reno. For each incorporated zone, or tax area, the tax rate was at its \$3.64 cap. In the unincorporated areas the rates varied based on whether an area was within Truckee Meadows Fire

Protection District territory or in a General Improvement Districts (GID). He said the tax rates in the unincorporated areas varied quite a bit and they were not all at the \$3.64 cap. Chair Duerr suggested, along with the research that had previously been requested of Mr. Mathers, that he provide the Commission with a map indicating what the rates were in the different areas. She thought it would be a good work product for current and future commissioners.

Member Kirtley stated the map would be of interest given the huge unincorporated areas in the County as compared to the small footprints of the cities of Reno and Sparks.

On motion by Member Ainsworth, seconded by Member Abbott, which motion duly carried with Members Lucey and Salazar absent, it was ordered to approve the recommendation to set the threshold percentage at 90 percent for the purposes of NRS 350.0155(1).

17-018DMC AGENDA ITEM 8 Review and accept the following 2017 Annual Reports from all Washoe County political subdivisions: (a) Debt Management Plan (b) Indebtedness Reports (c) Capital Improvement Plans.

Chair Duerr recounted when the reports were reviewed a couple of years ago it was discovered that some of the reporting entities were required to provide reports and some were not. She recalled the Commission received reports from the Truckee Meadows Water Authority (TMWA) in the past and she had raised the question of whether or not that was necessary. She asked Washoe County Budget Manager Mark Mathers if he could recap that discussion for the Board.

Mr. Mathers thought the issue the Commission grappled with was the function of the state law that required local governments to submit documents if they had either revenue bonds or general obligation (GO) bonds. He explained the requirement included TMWA and the Airport Authority because they had revenue bonds; however, the debt management policy plans they were obligated to submit only required them to comment on GO bonds. Some entities reported on both their revenue bonds and their GO bonds in their debt management policies, but legally it was only required to report on the GO Bonds. He thought this created a lot of confusion as to why the DMC was receiving documents from agencies that did not have any GO bonds. He said the outcome of the previous discussion about this issue resulted in direction to the County to try to compile the reports in an understandable way so the DMC members would not have to sift through all the information. He explained the idea behind the requirement was that if an agency came to the DMC with a proposed debt issuance, which was required even if they were GO Revenue bonds that were not pledged by property taxes, the information would nevertheless have to be presented to the Commission. He noted Washoe County School District Chief Financial Officer Tom Ciesynski periodically came to the DMC to discuss School District debt. He said the County would have to come to the DMC with C Tax pledged GO bonds. The idea was the DMC would have the documents to refer to as a

form of due diligence in order to look at each agencies' debt burden, their situation and to assess their financial condition. The information allowed the Commission members the ability to ask questions and to reassure themselves the agencies could afford the debt they planned to issue. He stated he believed all the agencies in the County had a tendency to be fairly conservative in their debt practices, so it might not be a big issue for Washoe County, but there was a certain amount of due diligence required of the Commission when reviewing requests. He stated he tried to put together a report for the Commission that would allow them to see certain metrics for each agency in terms of the debt burden and so forth.

Chair Duerr commended Mr. Mathers for the explanation and recalled the first time she reviewed the reports none of the financial people were in attendance at the meeting. She stated the Commission did not feel comfortable and there was confusion as to why certain entities, such as TMWA, were providing reports to the DMC since they were not pledging against property tax. She reported the Commission deferred taking action on the reports until the following meeting.

Chair Duerr spoke about TMWA and said they recently had to raise water rates because documents showed the agency was experiencing declining revenues and living off their reserves. She explained TMWA accumulated a lot of extra money at one point, but had not raised their rates for a long time and it was evident there would come a time when this would become a problem. She also spoke about the City of Reno's action to raise sewer rates which had previously been deferred for approximately eight years. She said when the rates were finally raised the increases were very steep.

City of Reno Interim Finance Director Jill Olsen added the initial sewer rate increase was more than 20 percent with annual increases of 8 percent over a period of eight years. She stated the current rate of increase was 4 percent. Chair Duerr stated the most recent 8 percent rate hike was really tough on people, but she felt the situation spoke to a bigger issue. She said if rate increases were deferred it just delayed the pain and it was better to raise rates by smaller increases in a timely manner.

Chair Duerr stated the information contained in the reports was all good to have and she thanked Mr. Mathers for attaching the pertinent information when decisions were required by the Board.

On motion by Member Kirtley, seconded by Member Ainsworth, which motion duly carried with Members Lucey and Salazar absent, it was ordered to accept the 2017 Annual Reports from all Washoe County political subdivisions including their Debt Management Plans, Indebtedness Reports and Capital Improvement Plans.

Upon further discussion, Member Ainsworth added she noticed some of the reports were not included, such as those for the Palomino General Improvement District and the Sierra Fire Protection District.

In response to a question about whether or not a report had been received from the Verdi Television District, County Clerk Nancy Parent noted the report had been received.

Member Ainsworth wondered if the Commission had the power to do anything about the missing reports. She thought it might be a good idea to provide information about any missing reports to the County Commissioner that oversaw the GID in question.

Mr. Mathers stated there were some legal exceptions to note. If an agency did not have any debt and did not plan to issue any debt, they were exempt from having to submit a debt management policy. He wondered if that might be the case with the Palomino GID. He offered to follow up with the agency and report back to the Commission.

Chair Duerr asked if it would be wise to ask any entities that had nothing to report to submit something on paper to state as much. Member Ainsworth noted there were some entities that had done just that.

In answer to a request for suggestions from the Chair, Mr. Mathers proposed to follow up with the entities that did not submit a report so the County could maintain a certain level of responsibility.

Ms. Parent suggested the Clerk could help by adding a statement to the initial letter her office sent out to request the reports. The statement could ask entities to provide reports whether or not they had any debt so the information could be made a part of the record of oversight. Chair Duerr supported that idea and directed the Clerk to make the suggested changes. Ms. Parent indicated she would seek advice from the District Attorney and from representatives of the budget office to ensure the language complied with that direction.

17-019DMC AGENDA ITEM 9 Set Dates/Times for DMC Meetings for 2017/18. Suggested dates are set forth below and the suggested time for the meetings is 11:00 a.m.: Friday, November 17, 2017; Friday, February 16, 2018; Friday, May 18, 2018; Friday, August 17, 2018.

Chair Duerr asked the Commission members to check their calendars for any potential conflicts with the suggested dates. After some discussion it was determined the suggested future meeting dates and times were acceptable.

On motion by Member Raymond, seconded by Member Abbott, which motion duly carried with Members Lucey and Salazar absent, it was ordered to accept dates and times for the future Debt Management Commission meetings as proposed on the agenda.

17-020DMC AGENDA ITEM 10 Member Comments.

Chair Duerr mentioned there had been a request for staff to provide a map of the current tax rates and a 20 year history of the rates in the County, as well as a report on any outstanding bonds. She asked if any of the members desired any other information.

Member Kirtley commended staff on the reports. He appreciated that both the larger and smaller reports were in the same format.

Member Raymond noted Washoe County School District Chief Financial Officer (CFO) Tom Ciesynski had announced his retirement and stated this meeting would be his last in his current role. She stated Mr. Ciesynski had committed much of his life to public service and she acknowledged the great work he had done for the School District.

Chair Duerr stated she appreciated how much Mr. Ciesynski had done and asked him how long he had served the School District.

Mr. Ciesynski responded he had been with the School District for 26 years; four of those years as the CFO. He noted he had put 30 years into the Public Employees Retirement System (PERS) and he was retiring because he had put in his time. In his opinion, education was the most important thing the County did for its community and he stated he appreciated that the Debt Management Commission helped the District to issue debt so more facilities could be built. He stated it had been an honor to serve the School District.

In response to a question about future plans, Mr. Ciesynski indicated he liked to help people and was considering volunteering for Habitat for Humanity. He remarked he grew up in this community and said he was a product of the Washoe County School District. He stated he planned to stay involved in the community. He thanked the Commission for their acknowledgement.

Chair Duerr noted City of Reno Interim Finance Director Jill Olsen had been filling in for former City of Reno Finance Director Robert Chisel who had moved on the Reno Sparks Convention and Visitors Authority. She asked Ms. Olsen how long she had been working for the City.

Ms. Olsen replied she was in her 15th year with the City of Reno.

17-021DMC AGENDA ITEM 11 Public Comments.

There was no response to the call for public comment.

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11:34 a.m. There being no further business to discuss, the meeting was adjourned without objection.

NAOMI DUERR, Chairperson
Debt Management Commission

ATTEST:

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

*Minutes Prepared by:
Cathy Smith, Deputy County Clerk*