WASHOE COUNTY DEBT MANAGEMENT COMMISSION

QUARTERLY MEETING

FRIDAY 11:00 A.M. MAY 17, 2019

PRESENT:

Naomi Duerr, Reno City Council, Chair
John Sherman, At-Large Member, Vice-Chair
Paul Anderson, Sparks City Council, Member
Andrew Caudill, Washoe County School District, Member
Peter Morris, GID Representative, Member (via telephone)
Michelle Salazar, At-Large Member

Nancy Parent, County Clerk
David Watts-Vial, Deputy District Attorney

ABSENT:

Jeanne Herman, Washoe County Commissioner, Member

The Washoe County Debt Management Commission met in regular session 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 Chair Duerr 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:

19-028D **AGENDA ITEM 4** Public Comment.

There was no response to the call for public comment.

19-029D **AGENDA ITEM 5** Approval of the minutes for the DMC meetings of February 8, 2019 and February 15, 2019.

There was no response to the call for public comment.

On motion by Member Anderson, seconded by Member Sherman, which motion duly carried on a 6-0 vote with Member Herman absent, it was ordered that Agenda Item 5 be approved.

19-030D **AGENDA ITEM 6** Appearance by the Incline Village General Improvement District and presentation of its debt position.

Gerald Eick, Director of Finance of the Incline Village General Improvement District (IVGID), indicated he prepared a summary in the format recommended by the Debt Management Commission (DMC). He explained IVGID focused on water, sewer, solid waste, and recreation. He said IVGID did not have any public safety functions and the only street they owned was in the middle of its ski resort. He mentioned only 8 percent of IVGID's revenues came from taxes and the remainder came from charges for services, such as utility and recreation fees. He stated the District's bonds were limited to things like utility infrastructure and the facilities themselves.

Mr. Eick pointed out IVGID had less than $7 million in outstanding bonds as of the most recent audit date of June 30, 2018, even though their limit exceeded $700 million. He reviewed the five bonds listed on the handout he provided. He noted the Recreation Bond was comprised of refunding and additional monies from 2002, and it was refunded in 2012 to receive a better interest rate. It would mature in 2022. He indicated the Utility Bonds would mature in 2023, 2025, 2026, and 2032. He said IVGID did not have a history of significant debt and did not expect many future payments. He remarked IVGID had a per capita debt of $2,325 in 2008 when a bond was issued for the ski resort; the per capita debt was currently under $800. He commented it was not IVGID's model to borrow money but they believed it was appropriate for long-term assets.

Mr. Eick noted IVGID experienced good years at the ski resort during good snow years. He indicated they might come before the DMC in 2022 with a bond for a ski roadway. He said they had enough cash on hand to fund other projects first but they could return in 2022 or 2023 with a $5 million bond issuance request. Otherwise he did not expect IVGID to come back to the DMC. Responding to Chair Duerr's request for further explanation, he specified the request would be for $4,850,000 to address the roadway in the middle of the Diamond Peak Ski Resort and all parking lots.

Chair Duerr asked whether IVGID received any revenues from the ski area. Mr. Eick responded IVGID received all the revenues because they owned the ski area. He indicated ski resorts were expensive to maintain. IVGID always budgeted for the 10-year average but he mentioned they had not once hit that average in 25 years. He estimated they had four good snow years out of every 10. He expressed concern because four out of the past five years had been among their best years; the fifth was actually the worst year they ever had. He said the ski resort not only paid for itself but it provided resources for other venues. The recreational fee charged was a per-parcel charge and he said the ski resort gave back $200 per parcel per year.

Chair Duerr asked whether good or bad years were defined by the amount of snow or the amount of revenue. Mr. Eick explained they were identical. IVGID budgeted for 110,000 skier visits a year. 89,000 visits would constitute a bad year while their best year featured 160,000 visits. There were about 135,000 visits in 2018. He pointed out one skier's visit represented at least $100 spent.

Chair Duerr noted the City of Reno ran Sky Tavern but it was not a money maker. Mr. Eick felt his resort probably spent $8 just to make $1 and said the holiday season would not be successful without snowmaking technology. Chair Duerr mentioned there were discussions to add snowmaking technology at Sky Tavern. She thanked Mr. Eick for the presentation.

There was no public comment or action taken on this item.

19-031D **AGENDA ITEM 7** Appearance by the Washoe County School District and presentation of its debt position.

Mark Mathers, Chief Financial Officer for the Washoe County School District (WCSD), noted he was joined by Financial Advisor Marty Johnson. He conducted a PowerPoint presentation and reviewed slides with the following titles: Types of Debt; Summary of Debt; Rollover Bonds (4 slides); Sales Tax-Pledged Bonds (4 slides); Medium Term Bonds; Statutory Debt Limit; G.O. Debt Comparison (2 slides); Outlook Through 2030; and Questions. He explained medium-term notes were used for the acquisition of buses.

Chair Duerr remarked the Legislature was considering a bill which would authorize school districts to get electric buses. She pointed out the Regional Transportation Commission utilized electric buses but many riders complained of cold rides because the buses did not contain additional heat sources. She felt it was worth discussing with the WCSD Board.

Mr. Mathers pointed out the WCSD was the largest governmental unit in Washoe County. Before Washoe County Question 1 (WC-1), the WCSD utilized rollover bonds as the primary way to construct new schools or perform improvements in existing schools. He said a lot of the District's current debt would begin to be paid off in the upcoming six to eight years. WC-1 funds were currently being used in the construction of two middle schools and one elementary school, all of which were slated to open in August of 2019. $85 million was being used to construct the middle school at Arrowcreek, which would be named Marce Herz Middle School. He anticipated the WCSD would issue another $265 million in WC-1 bonds that would go towards the new Wildcreek high school and several other schools.

Mr. Mathers explained the 38.85 cents per $100 of assessed valuation in property taxes received by the WCSD was different than the portion of property tax that went towards operation, which was 75 cents. The former funds were received and sequestered in capital project and debt service funds. Since the authorization to issue rollover bonds would expire in May 2025, the District might need to go to voters to extend that authority.

Chair Duerr inquired about how rollover bonds worked. Mr. Mathers replied the property tax rate of 38.85 cents was set until 2025, so the WCSD had the choice of issuing that debt or paying for projects as they went. They could issue as much debt as was projected to come in through the anticipated revenues. Mr. Mathers confirmed Chair Duerr's definition of rollover bonds as the authority to roll over the current debt into a new series of debt as it started to mature.

Mr. Johnson stated the WCSD Board of Trustees would have to make a finding that revenues from the tax rate would be sufficient to cover the outstanding and proposed bonds, as well as leave a certain amount of money in the District's debt service fund. The Debt Management Commission (DMC) would also need to make that determination as part of the next agenda item.

Member Sherman asked how close the budgeted property tax revenues were to what was actually being received. Mr. Mathers replied it was within a couple hundred thousand dollars. The WCSD used the State of Taxation's pro forma projections when budgeting property tax revenues and it resulted in a very close projection.

Member Sherman inquired whether there was a basis for the WCSD's 6 percent increase in the 2020 projections. Mr. Mathers explained both the County Treasurer's and the State of Taxation's pro forma projections had the District at 6 percent. He surmised this was due to new growth and a higher property tax cap than in previous years.

Member Sherman pointed out fairly high increases in assessed valuation did not necessarily correlate with increases in actual revenue. Mr. Mathers stated that difference is called abatement and he confirmed the level of abatement had increased as property tax values increased. He clarified the 6 percent increase was a projection of revenues, not a project of assessed valuation; he guessed assessed valuation had increased more than 10 percent.

Member Sherman stated new properties were not abated and wondered whether new growth was driving the increase. Mr. Johnson responded the abatement formula was a ten-year rolling average on assessed value growth, or twice the consumer price index (CPI). He noted the double CPI number had increased considerably. Inflation had previously been .1 percent and the abatement cap had been set at .2 percent; because of an inflation rate between 2.3 percent and 2.6 percent, the cap for non-residential properties now exceeded 4 percent.

Mr. Mathers anticipated paydowns of existing debt beginning in 2025, which would help plan future debt. Like rollover bonds, the full faith and credit of the WCSD was pledged on sales tax-pledged bonds as well. He noted they could have opted for pure revenue bonds but they did not like the higher interest rates. Funds from sales tax-pledged bonds could not be used for operations; they were restricted to school renovations or new schools. He summarized the WCSD had a lot of room to issue debt based on the statutory debt limit.

Member Sherman asked how the $307,771,000 in unauthorized debt compared with the proposals before the DMC at this meeting. Mr. Mathers replied the unauthorized debt number included medium-term notes.

Mr. Mathers said the District was grateful to voters for the passage of WC-1. He remarked Clark County had four different funding sources for their capital. He said the County's 3.13 percentage of general obligation (GO) debt to assessed value was in line with several school districts in the state; Clark County was below the WCSD but had much greater debt. He acknowledged it was difficult to compare the districts because each had different funding sources and used different property tax rates.

Chair Duerr pointed out the WCSD's total GO debt was comparatively high. Mr. Mathers pointed out the WCSD was larger than most districts; Clark and Washoe Counties represented nearly 90 percent of the students in the state. The WCSD had 64,000 students while many other districts had far less, including one with fewer than 100 students.

Mr. Mathers stated the WCSD presented the voters with a list of schools they wanted to build along with schools that would be renovated and improved. They sought to build those schools to relieve overcrowding, noting no schools had been built in over 15 years before WC-1. The addition of the Wildcreek high school would result in Hug High School being repurposed into a large career and technical education center for kids who did not want to attend a four-year college but wanted an education in certain trades. He said development of new schools after the initial burst of schools would be more growth dependent.

Member Morris asked whether there was a sunset on WC-1. Mr. Mathers said there was not. Chair Duerr asked about the 2025 deadline mentioned earlier. Mr. Mathers said there was a sunset on rollover bonds. There would be enough tax property revenue to pay existing debt that was sold before 2025, even if the voters and the Legislature did not authorize the issuance of rollover debt. After 2025, the property tax rate would likely decline over time based on the need to serve existing debt. Losing that revenue source could necessitate changes to the capital improvement program.

Chair Duerr assumed that was why the WCSD was trying to work so fast, adding she could not envision elementary schools having to use double sessions. Mr. Mathers commented the WCSD wanted to show voters the WCSD was executing on the promise they made. He laid out the following timeline: two new schools would open in August of 2019, followed by a middle school at Arrowcreek in 2020, a cash-funded elementary school after that, and then one to three schools each subsequent year. He indicated Mr. Johnson would discuss the renovation of core schools like Swope Middle School during the rollover bond item. Rollover bonds were often used to bring existing schools up to the standards of new schools.

Chair Duerr wondered whether the WCSD anticipated addressing the 2025 deadline with another ballot question. Mr. Mathers felt there would be a two-path approach. He expected Clark County to drive the discussion about the Legislature approving an extension of rollover bond authority in 2025 because it did not have a WC-1 equivalent. If that failed, the WCSD would present the issue to voters before 2025 so plans could be made if the vote also failed.

Member Anderson inquired whether rollover bonds could be used for anything. Mr. Mathers answered those funds were restricted to capital projects. A separate 75 cent operating rate in the property tax system existed for operations. Rollover bonds could be used for new schools or repairs and renovations to existing schools, but they could not be used for maintenance or operating costs like hiring new teachers.

Chair Duerr asked when Mr. Mathers thought the WCSD would come to the DMC about bonds for the Wildcreek school. Mr. Mathers said that item was on this meeting's agenda. Chair Duerr asked whether the request would be for the full amount. Mr. Mathers explained the WCSD had $215 million in authorized but unissued bonds. They came before the Board in 2018 for approval of $300 million and only $85 million had been issued so far. $215 million remained for Wildcreek and two other schools, but the WCSD had an item to request an additional $100 million to ensure adequate funding for all three schools. He anticipated a groundbreaking ceremony in November, although construction would likely not begin until spring or summer of 2020.

Member Caudill opined the Legislature would be the best option since every school district would be impacted. Each county would only need to take action if the Legislature did not want to pursue it. He felt the 2021 legislative session might give everyone an idea but the WCSD would have to figure something out if nothing was done by the 2023 session. He admitted it would be hard to lose that revenue but acknowledged discussions about extending a tax would be difficult for voters.

Mr. Mathers indicated the intent of WC-1 was to combine those revenues with property tax revenues to build new schools. He said there was sometimes a misconception that all revenues came from WC-1, but the plan was to supplement the rollover bond authority with WC-1 revenues.

Member Morris asked about funding for the operating side of schools since there were more costs than just construction and renovation. Mr. Mathers replied it was programmed into the District's long-term fiscal forecast. Since it was already known that students would flow into new schools, the teachers that would be required were also accounted for. The remaining costs were building utilities and providing school staff such as new principals, vice-principals, and custodians. He said the incremental costs of opening a new school were lower than many thought.

Member Sherman stated school districts typically raised local funds but were dependent upon the State for funding. He asked what percent of the WCSD's funding came from the State. Mr. Mathers indicated 80 percent of general fund revenues came from the State via their distributive school account; local revenues comprised the other 20 percent. He explained the State determined the total cost of operating school districts and then subtracted local revenues to determine how much it would fund. All funds were accounted for to determine the State's per-pupil number. He added there was a proposal to change the Nevada funding model which would result in all revenue going to the State, and he thought the proposal would pass. The County Treasurer would wire property tax collections to the State. The change would eliminate the pretense that the WCSD had control over local revenues.

Mr. Johnson pointed out the State would reduce their funding if local sales taxes came in higher than projected. Mr. Mathers said the County was able to keep any sales tax revenues that were higher than budgeted, but that was not the case with the School District. Instead, any additional tax revenues would reduce the level of the State's general fund support, which he noted declined from 40 percent of the State's general fund to about 33 percent over the past six to seven years.

Member Caudill provided an analogy of having two buckets and anything put into the first bucket would need to be taken out of the second. Any increase in revenue from marijuana sales or sales taxes would be deducted from the State's portion.

Chair Duerr praised the presentation and said the information was easily readable.

There was no public comment or action taken on this item.

19-032D **AGENDA ITEM 8** 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 general obligation bonds in the maximum principal amount of $200,000,000; and approving certain details in connection therewith.

Marty Johnson with JNA Consulting Group said he would present highlights so as not to duplicate the information in the prior presentation. He noted the packets prepared for Agenda Items 8 and 9 used data from April 1, 2019 whereas the information in Agenda Item 7's presentation was from June 30, 2018.

Mr. Johnson drew the Commission's attention to page 5 and explained the $515 million total included the proposed $200 million from this agenda item, the $100 million proposed in the next agenda item, and $215 million of unissued bonds. Even with that, the Washoe County School District (WCSD) still had almost $1.3 billion in available debt limit. The limit was strictly for the WCSD and it was determined by calculating 15 percent of the overall assessed value. Each agency had its own debt limit which was not related to affordability.

Member Salazar noticed a discrepancy between the $791 million in outstanding general obligation (GO) debt on page 5 and a figure referenced in Agenda Item 7's presentation. She wondered why $1.17 billion wasn't the amount of the outstanding GO debt in 2019. Mr. Johnson stated the difference between the $709 million figure in Agenda Item 7's presentation and the $791 million figure from this item was due to an issuance of bonds which happened after June 30. Additionally, Mr. Mathers' presentation did not include the $215 million in bonds that was authorized but unissued. Mr. Mathers confirmed $85 million was issued after June 15 and $215 million remained.

Chair Duerr stated the total outstanding GO debt was $791 million as of April 1. Mr. Johnson confirmed that supposition and added the total was actually less than that since a principal payment was made on May 1. He posited the WCSD fit within the current debt limit. He noted the bonds were paid for by the tax rate that had already been levied and the District was not requesting an increase to the property tax rate. He said the pending $200 million in rollover bonds, which excluded Washoe County Question 1 (WC-1) bonds, would be issued as needed over the following three years. Interest rates between 3.7 and 4.75 percent were assumed for those bond issuances, though he pointed out current rates were only around 3.5 percent. He acknowledged a mistake found on page 8 spotted by Member Sherman. The proposed debt service column total was incorrect but he said the important column, the total debt service, was tabulated correctly.

Mr. Johnson summarized the numbers demonstrated the revenues from the 38.85 cent property tax rate would be sufficient to pay the bonds according to the Department of Taxation's numbers; this was true even if they did not take into account the higher projected growth rate in 2021. He said there should be no impact to the overlapping tax rate from the issuance of these bonds. He emphasized they would not issue the bonds if something happened between now and 2021 to cause the assessed value to decline.

Chair Duerr wondered whether the State would keep the WCSD whole if revenues were less than anticipated. Mr. Mathers admitted the downside to the current model was the State was able to keep additional funds but the upside was the State guaranteed their money. The School District knew 80 percent of its operating revenues were guaranteed.

Member Sherman sought an explanation as to why the WCSD proposed making interest-only payments for the first two years. Mr. Johnson answered this would maximize the amount of cash available because any revenue not used for debt service or maintaining a reserve account could be used for pay-as-you-go projects. Paying the principal sooner would result in the WCSD needing to borrow additional money. He said they might start paying towards the principal earlier if there was not a lot of construction actively happening.

Mr. Johnson explained the District was required to have 25 percent of the following year's debt service in a reserve account in case revenue did not come in. The money there could only be used for debt service on bonds and capital projects and could not be used for operations. Additionally, it could only be used if the minimum balance was maintained. He indicated that debt service applied to rollover bonds, WC-1 bonds, and medium-term financing. Currently there was sufficient money to cover that requirement, which was one of the findings the Debt Management Commission (DMC) needed to make. He added that would not apply when discussing WC-1 bonds.

Chair Duerr asked for a summary of what the funds would be used for. Mr. Mathers responded the capital projects team was considering either a major renovation or expansion of O'Brien Middle School or a completely new school. Proceeds would be used to carry out whichever plan was decided. He stated a more significant portion would fund three years of capital renewal and revitalization. This would be used to ensure students at newer schools did not receive better facilities and technology than those at existing schools. He said $40 million a year was put aside for this.

Member Sherman pointed out the second footnote in Appendix B did not align with the numbers given. Mr. Johnson admitted that footnote had been errantly copied from another table and said property taxes should not go flat after 2022.

Member Salazar asked whether the $689 million outstanding in debt service listed on Appendix B should match the number found on page 7. Mr. Johnson responded they should be the same and they should both be $638 million.

Referring to page 2 of the Resolution, Member Sherman noted $200 million was expected to be issued through March of 2025, which related to the sunset of the rollover. He recalled debt could not be issued after three years from the date of the DMC's approval. He queried why they included the 2025 date instead of one more current. Kendra Follett of Sherman & Howard said the 3-year period could be extended under provisions of the Nevada Revised Statute. The date included was the outside date. Member Sherman asked whether the WCSD would need approval for reauthorization if some bonds were not issued within three years. Ms. Follett confirmed they would need to get that approval from the DMC. Member Sherman surmised they could continue to do that until 2025 assuming the law did not change, which Ms. Follett confirmed.

Member Sherman stated there was language in the Resolution that interest rates could not exceed a statutory amount when debt was issued. Ms. Follett responded the limit was set by Statute and it was 3 percent over the general obligation (GO) bond index as published in *The Bond Buyer*. That paper maintained weekly indices including the GO bond index. Mr. Johnson indicated the current GO bond index was about 2.6 percent so the highest possible rate would be 5.6 percent. However, the current market rate for the WCSD was 3.5 percent.

There was no response to the call for public comment.

On motion by Member Sherman, seconded by Member Caudill, which motion duly carried on a 6-0 vote with Member Herman absent, it was ordered that Agenda Item 8 be approved. The Resolution for same is attached hereto and made a part of the minutes thereof.

Mr. Mathers stated the Arrowcreek school would have a groundbreaking event in October. Chair Duerr said she would love to attend since many of the residents in her ward would be impacted by the new school.

19-033D **AGENDA ITEM 9** 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 general obligations (additionally secured by pledged revenues) in the maximum principal amount of $100,000,000; and approving certain details in connection therewith.

Marty Johnson with JNA Consulting Group said these Washoe County Question 1 (WC-1) bonds did not have the same criteria as the bonds from the prior agenda item. These WC-1 bonds would be backed both by the full faith and credit of the Washoe County School District (WCSD) and by revenues generated from sales tax. $215 million was already authorized but not issued. The WCSD requested an additional $100 million to help fund the Wildcreek high school and several other schools.

Mr. Johnson reviewed pages 7 and 8 of the handout. He mentioned annual debt service would be around $35.5 million, commenting those figures were determined using conservative interest rates. He noted they expected sales taxes to grow over time but, by projecting them to remain constant, they created room for additional bonds to build additional facilities. He stressed there would be a pledge in the bond documents to use revenues to pay debt service first. With that, they did not anticipate any impact on the property tax rate, which was a condition for the Debt Management Commission.

Member Sherman stated the prior agenda item involved general obligation (GO) bonds. This proposal involved GO bonds that were also secured with incoming sales tax revenue. He said the purpose for pursuing these was to get a lower interest rate. He asked for an estimate of the amount that would be saved because the District was taking this route. Mr. Johnson guessed it could save as much as one-quarter percent, which could be substantial given the size of the issuance. Kendra Follett of Sherman & Howard remarked an entity using a straight revenue bond might have to fund a reserve fund.

There was no response to the call for public comment.

On motion by Member Sherman, seconded by Member Salazar, which motion duly carried on a 6-0 vote with Member Herman absent, it was ordered that Agenda Item 9 be approved. The Resolution for same is attached hereto and made a part of the minutes thereof.

19-034D **AGENDA ITEM 10** Presentation, discussion, and possible direction relating to pending legislation, AB 4 and AB 230, and any potential impact to the Debt Management Commission.

Chair Duerr noted this item did not allow for action or recommended changes; it was designed to notify the Debt Management Commission (DMC) of any legislative issues that could impact it.

Kendra Follett of Sherman & Howard noted two bills affected Nevada Revised Statute (NRS) 350, the Statute that laid out requirements for the DMC. Local government securities law was also found in NRS 350. The bills did not relate specifically to the DMC. Assembly Bill (AB) 4 changed the definition of municipality to provide for a city fire department district, though it would not provide authorization for the issuance of any debt. AB230 would amend NRS 350.75 to expand the definition of historic structure.

Chair Duerr said that bill related to Reno because the Lear Theater was being considered as a historical landmark. Ms. Follett said she did not know anything about that. Chair Duerr asked about the status of those two bills. Ms. Follett responded AB4 received an extension and AB230 would die today if it did not receive a vote. She said she would notify Assistant County Manager Christine Vuletich if anything changed.

On motion by Member Caudill, seconded by Member Anderson, which motion duly carried on a 6-0 vote with Member Herman absent, it was ordered that Agenda Item 9 be accepted.

There was no response to the call for public comment.

19-035D **AGENDA ITEM 11** Discussion and possible direction regarding the August annual meeting, including, but not limited to, processes and procedures, meeting format, and staffing.

Chair Duerr explained between 16 and 20 jurisdictions provided a snapshot of their finances every August. They were presented in a format adopted years prior. She said the Debt Management Commission (DMC) would discuss and potentially accept the reports. She wanted this item to discuss how to address that process.

County Clerk Nancy Parent wondered whether the DMC wanted hard copies of the binder or if they wanted the documents electronically. After some discussion, it was determined each Member wanted it electronically except Chair Duerr, who wanted both. Ms. Parent would contact Member Herman to determine her preference.

Ms. Parent pointed out the meeting would be held on August 16 at 11:00 a.m.

Deputy District Attorney David Watts-Vial stated Nevada Revised Statute (NRS) 350.0155 dictated other discussions needed to happen at the annual meeting. The DMC would have to specify a percentage, not less than 75 percent, as laid out in paragraph d, subsection 1. The DMC would also have to establish priorities among essential and non-essential facilities.

Member Sherman asked whether the report for that item came from Washoe County staff. Mr. Watts-Vial replied it appeared that way but County staff was not supposed to make any recommendations. The DMC could provide direction to staff at this meeting if they had suggestions to help them make their decisions.

Member Salazar recalled a memo with the relevant NRS was printed out for the meeting. Chair Duerr remembered a detailed discussion was held so the DMC understood what it was doing. She felt it would be good to have a recap of that process, either from the District Attorney's office or from the finance team at the County. Chair Duerr said the DMC discovered many of these decisions did not always have meaning. Mr. Watts-Vial agreed some decisions only took effect later on. Only when tax cap limits were approached did the DMC need to consider what had been prioritized earlier.

Chair Duerr said she was told this process used to be controversial. Ms. Parent recalled meetings during the early 2000s, when the $3.64 cap was being approached, during which various groups lobbied to get funding for swimming pools and animal shelters. Chalkboards were set up to help divvy up fractions of a penny. Chair Duerr asked whether something like that was foreseeable.

Mr. Sherman pointed out the County was already at the $3.64 tax rate cap. He added there were provisions that allowed entities to obtain part of that cap by getting agreement from other entities to lower their rates. The projects would also need to fit the priorities that had been established.

Chair Duerr mentioned each municipality had two bill draft requests and one of Reno's bills would enable them to form a special funding district for fire. However it was submitted with the belief it would fall outside the $3.64 cap since it involved critical public safety. If the bill failed, the City of Reno would remain at 1991 levels of police and fire service despite the population doubling or tripling since then. She noted Reno had one of the lowest officer-to-citizen ratios in the country but could not ask other entities to lower their tax rates to allow for additional room in the cap.

Chair Duerr asked whether raising the cap could only be achieved by the Legislature. Member Sherman said that was correct. Chair Duerr asked whether a vote of the people would be required, to which Member Sherman responded it would not. He explained that portion of the NRS was designed to address situations where relevant entities had not yet reached the tax rate cap. He said it was a moot point because Washoe County was already at the cap and there was no remaining balance to apportion. He felt it would be important if an entity came to the DMC with a proposal that would involve getting an override from the voters. Chair Duerr asked how a situation like that would work. Member Sherman said the DMC could set the percentage of the cap at 0 percent because there was no gap between the $3.64 limit and what was levied currently. He added that portion of the NRS was important because the DMC would designate which types of projects were considered a priority.

Proposing a scenario where the Legislature raised the cap to $3.65, Member Morris asked whether the DMC's resolutions would still take effect. Member Sherman said they would. Member Morris inferred it would then matter how the DMC prioritized projects.

Member Sherman clarified the $3.64 cap pertained to the combination of tax rates for all entities including the Washoe County School District, the County, and the general improvement districts. He noted Incline Village was an exception as their combined tax rates amounted to less than the $3.64 cap.

Chair Duerr said the point of the agenda item was to inform everyone about the process since at least half the current members had not participated in the process. Member Sherman stressed it was mandatory that the DMC participated in those few decisions even though the entities were currently at the cap.

Mr. Watts-Vial indicated he would put Deputy District Attorney Jennifer Gustafson in contact with Member Sherman.

Chair Duerr summarized each Member wanted a PDF of the documentation and she requested both an electronic copy and a paper copy. The Clerk's Office would confirm Member Herman's preferences. She requested County staff make a presentation at that meeting to explain the process.

There was no public comment or action taken on this item.

19-036D **AGENDA ITEM 12** Board Member Comments.

Member Sherman requested an agenda item regarding the Debt Management Commission (DMC) bylaws. Chair Duerr responded the District Attorney's Office was already working on them; they just couldn't get them prepared in time for this meeting. Chair Duerr recognized the existing bylaws were from 1997.

Chair Duerr noted a different board for which she was a liaison wanted the ability to reduce the size of a quorum based on the number of members present. She said no law, code, or bylaws gave an opinion about it so they planned to put a provision in the bylaws allowing the quorum to change based on the number of appointed members. She wondered whether there was a statute or County ordinance that would permit something similar to be added to the DMC bylaws.

Assistant District Attorney David Watts-Vial said this item was not styled for discussion at this time but said there was a definition of quorum in Nevada Revised Statute 350.012(5) and they could not circumvent that. He said he would relay the request to the proper District Attorney's office liaison.

Chair Duerr planned to read it into the record at the next meeting of her other Board since their lawyers had done some research on the topic. She wanted to ask the attorneys about the definition of the word "member", especially if a board was missing a member.

Member Anderson praised Members Salazar and Sherman for their experience and attention to detail.

Chair Duerr asked about future presentations from other entities. Derek Sonderfan, Supervisor of the Boards Records and Minutes Division of the Clerk's Office, responded he had not heard of any entities planning to make a presentation but he suggested the Sun Valley General Improvement District (SVGID) might be sizeable enough to make a presentation. Chair Duerr requested a presentation from SVGID be placed on the next agenda. Mr. Sonderfan said the DMC could review the list of agencies at the August meeting to determine whether they wanted to request a presentation from any of those agencies.

19-037D **<u>AGENDA ITEM 13</u>** Public Comment.

There was no response to the call for public comment.

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<u>12:37 p.m.</u> There being no further business to discuss, the meeting was adjourned without objection.

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NAOMI DUERR, Chair
Debt Management Commission

ATTEST:

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

Minutes Prepared by
Derek Sonderfan, Deputy County Clerk