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Debt Management Commission Roles and Responsibilities

The following is a brief summary of Debt Management Commission ("DMC") requirements in connection with various proposals in Nevada pursuant to Nevada Revised Statutes ("NRS") 350.013 through 350.015, inclusive, as well as NRS 350.020. For more detailed information and procedures, see NRS 350.013 through 350.015, inclusive, as well as NRS 350.020. Certain other statutes require consideration and approval by the DMC of obligations not listed in NRS 350.013 through 350.015, inclusive, however this summary discusses the requirements under NRS 350.013 through 350.015, inclusive.

I. Proposals that Require 2/3 Majority Approval of DMC Members.

Proposals for the following require approval of a two-thirds majority of all members of the DMC in which the municipality making the proposal is located:

- Issuing any general obligation (including, without limitation, revenue backed general obligations authorized pursuant to NRS 350.020(3) and rollover bonds issued by school districts in accordance with NRS 350.020(4));
- Levying a special elective tax; and
- Entering into an installment-purchase agreement with a term of more than 10 years.

See NRS 350.014(1).

II. Proposals that Require Majority Approval of DMC Members.

Proposals of general improvement districts with populations of less than 5,000 to incur a medium-term obligation or to otherwise borrow money or to issue securities to evidence such borrowing, other than securities representing a general obligation debt or installment-purchase agreements with a term of 10 years or less, only require approval of the majority of members of the DMC of each county where such district is situated. *See* NRS 350.014(2).

III. Documents that must be submitted to the DMC.

The "governing body of a municipality [except the Reno-Tahoe Airport Authority under certain circumstances] which proposes to issue or has outstanding any general obligation debt, other general obligations or special obligations, or which levies or proposes to levy any special

elective tax," must submit to the Department of Taxation and the applicable DMC, on or before August 1 of each year, the following documents:

- Statements of current debt and retirement schedules;
- Statement of contemplated debt;
- Debt management policy;
- Capital improvement plan for the ensuing 5 fiscal years (including contemplated debt), or a statement that no changes are contemplated in the capital improvement plan; and
- The name, title, mailing address and telephone number of the Chief Financial Officer of the municipality.

See NRS 350.013.

IV. Proposals that Would Result in an Increase in the Rate of Property Taxes.

Before a municipality may submit to the DMC a proposal that would result in an increase in the rate of property taxes, the municipality must determine if there is an "affected governmental entity," and if there is an affected governmental entity, provide written notification to the affected governmental entity. *See* NRS 350.0135(1). Such notification must contain a description of the proposal and the estimated amount the proposal would increase property taxes, and the potential effect of the increase on the affected entity. *See* NRS 350.0135(2). The governing body that received notification must by resolution, approve or object to the proposal. *See* NRS 350.0135(3). The resolution approving or objecting must be submitted to the DMC. *See* NRS 350.0135(4). The DMC must then resolve any conflict between the municipality and the affected entity or entities over the use of the remaining allowable increase in property taxes. *See* NRS 350.0135(5).

V. Approval of Certain Proposals.

The DMC shall not approve any proposal submitted to it by a municipality:

(a) Which if the proposal is for the financing of a capital improvement, is not included in its plan for capital improvement submitted [as discussed in Section III herein] if such plan is required to be submitted,

(b) If, based upon:

- (1) Estimates of the amount of tax revenue from property taxes needed for the special elective tax, or to repay the general obligation debt, and the dates that revenue will be needed, as provided by the municipality;
- (2) Estimates of the assessed valuation of the municipality for each of the years in which tax revenue is needed, as provided by the municipality;
- (3) The amount of any other required levies of property taxes, as shown on the most recently filed final budgets of each entity authorized

to levy property taxes on any property within the municipality submitting the proposal; and

(4) Any other factor the municipality discloses to the commission,

→ the proposal would result in a combined property tax rate in any of the overlapping entities within the county which exceeds the limit provided in NRS 361.453, unless the proposal also includes an agreement which complies with NRS 361.457 and which is approved by the governing bodies of all affected municipalities within the area as to how the combined property tax rates will be brought into compliance with the statutory limitation or unless the [DMC] adopts a plan that is approved by the Executive Director of the Department of Taxation pursuant to which the combined property tax rate will be in compliance with the statutory limitation; or

(c) If, based upon the factors listed in subparagraphs (1) to (4), inclusive, of paragraph (b), the proposal will affect the ability of an affected governmental entity to levy the maximum amount of property taxes that it may levy pursuant to NRS 354.59811, unless: (1) The proposal includes a resolution approving the proposal . . . from each affected governmental entity whose ability to levy property taxes will be affected by the [DMC's] approval of the proposal [as described in Section IV herein]; or (2) The [DMC] has resolved all conflicts between the municipality and all affected governmental entities and has approved the increase in property taxes resulting from the proposal [as described in Section IV herein].

See NRS 350.014(4).

VI. Notice and Procedure.

The governing body of the municipality with a proposal listed in Section I herein or the Board of Trustees of a general improvement district with proposal listed in Section II herein, shall notify the secretary of each appropriate DMC, and must submit a statement of its proposal in sufficient number of copies for each member of the DMC. The secretary, with the approval of the chair, shall, within 10 days, give notice of a meeting to be held not more than 20 days thereafter. *See* NRS 350.0145(1). The secretary shall provide a copy of the proposal to each member of the DMC with the notice of the meeting and must mail notice of the meeting to the chief financial officer of each municipality in the county which has complied with Section III herein. *Id.* The DMC may grant a conditional or provisional approval of such proposal, as long as the conditions or provisions are limited to those listed in NRS 350.0145(2). If the proposal is from a municipality, the DMC may not approve any portion of the proposal that is not included in the filed statement of contemplated debt (as described in Section III herein), and as updated in accordance with NRS 350.013(3), (4). *See* NRS 350.0145(3).

The DMC "may adjourn a meeting called to consider a particular proposal no more than once, for no more than 60 days, except that the [DMC] must approve or disapprove a proposal at least 30 days before the date on which the governing body that submitted the proposal is required to provide the proposal to the county clerk or city clerk pursuant to NRS 293.481." *See* NRS 350.0145(4). Within 3 days after the DMC meeting, the DMC must send notice of approval or disapproval to the governing body. *Id.*

VII. Criteria for Approval or Disapproval.

The DMC shall not initiate a determination as to whether proposed debt is sought to accomplish a public purpose or to satisfy a public need, unless such a proposal would result in a combined property tax rate in any of the overlapping entities within the county which exceeds the specified percentage, or the DMC must resolve a conflict between the municipality and affected entities (as described in Section IV herein). *See* NRS 350.015(1). For the Washoe County Debt Management Commission, the percentage of 90% of \$3.64 was set in August 2019 which is \$3.276.

Proposals Which Would Affect the Tax Rate: If a proposal would result in a combined property tax rate in any of the overlapping entities within the county which exceeds the specified percentage (i.e. 90% or \$3.276 for Washoe County DMC), the DMC must consider, but is not limited to, the following criteria under NRS 350.015:

- If the proposal is to incur debt, the amount of debt outstanding on the part of the municipality proposing to incur the debt.
- The effect of the tax levy required for debt service on the proposed debt or to repay an installment-purchase agreement with a term of more than 10 years, or of the proposed levy of a special elective tax, upon the ability of the municipality proposing to incur the general obligation debt, enter the installment-purchase agreement or levy the special elective tax and of other municipalities to raise revenue for operating purposes.
- The anticipated need for other incurrences of debt, installment-purchase agreements or levies of special elective taxes by the municipality proposing to incur the debt, enter the installment-purchase agreement or levy the special elective tax and other municipalities whose tax-levying powers overlap, as shown by the county or regional master plan, if any, and by other available information.
- If the information set forth in paragraph (b) of Section V herein indicates that the proposal would result in a combined property tax rate in any of the overlapping entities within the county which exceeds the specified percentage under law:

(1) The public need to be served by the proceeds from the proposed debt or tax levy in accordance with the priorities established by the DMC pursuant to NRS 350.0155(2); and

(2) A comparison of that public need and other public needs that appear on the statements of current and contemplated general obligation debt and special elective taxes submitted (as described in Section III herein) that may affect the combined property tax rate in any of the overlapping entities within the county.

For purposes of evaluating the public need, the DMC shall establish priorities among essential and nonessential facilities and services for the purposes of paragraph (d) of subsection 1 of [NRS 350.015](#). Pursuant to NRS 350.0155, facilities and services relating to public safety, education and health must be considered essential facilities and services, and all other facilities and services must be considered nonessential facilities and services.

Proposals Which Would Not Affect the Tax Rate: If a proposal would not result in a combined property tax rate in any of the overlapping entities within the county which exceeds the specified percentage (including revenue backed general obligations authorized pursuant to NRS 350.020(3) and rollover bonds issued by school districts in accordance with NRS 350.020(4)), the DMC must consider, but is not limited to, the following criteria under NRS 350.015:

- If the proposal is to incur debt, the amount of debt outstanding on the part of the municipality proposing to incur the debt.
- The effect of the tax levy required for debt service on the proposed debt or to repay an installment-purchase agreement with a term of more than 10 years, or of the proposed levy of a special elective tax, upon the ability of the municipality proposing to incur the general obligation debt, enter the installment-purchase agreement or levy the special elective tax and of other municipalities to raise revenue for operating purposes. Note: (1) when revenue backed general obligations are issued, no tax rate impact is expected when pledged revenues will at least equal the amount required in each year for the payment of interest and principal, without regard to any option reserved by the municipality for early redemption, as is required for issuance by NRS 350.020(3)) and (2) when general obligation bonds of a school district are issued pursuant to NRS 350.020(4), no increase in the existing property tax levy for payment of the bonds is expected.
- The anticipated need for other incurrences of debt, installment-purchase agreements or levies of special elective taxes by the municipality proposing to incur the debt, enter the installment-purchase agreement or levy the special elective tax and other municipalities whose tax-levying

powers overlap, as shown by the county or regional master plan, if any, and by other available information.

- If the information set forth in paragraph (b) of Section V herein indicates that the proposal would result in a combined property tax rate in any of the overlapping entities within the county which exceeds the specified percentage under law:

(1) The public need to be served by the proceeds from the proposed debt or tax levy in accordance with the priorities established by the DMC pursuant to NRS 350.0155(2); and

(2) A comparison of that public need and other public needs that appear on the statements of current and contemplated general obligation debt and special elective taxes submitted (as described in Section III herein) that may affect the combined property tax rate in any of the overlapping entities within the county.

Note: (1) when revenue backed general obligations are issued, no tax rate impact is expected when pledged revenues will at least equal the amount required in each year for the payment of interest and principal, without regard to any option reserved by the municipality for early redemption, as is required for issuance by NRS 350.020(3)) and (2) when general obligation bonds of a school district are issued pursuant to NRS 350.020(4), no increase in the existing property tax levy for payment of the bonds is expected.