WASHOE COUNTY DEBT MANAGEMENT COMMISSION

FRIDAY 11:00 A.M. FEBRUARY 19, 2021

PRESENT:

Naomi Duerr, Reno City Council, Chair (via Zoom)
Sandra Ainsworth, GID Representative, Member (via Zoom)
Jeanne Herman, Washoe County Commissioner, Member (via Zoom)*
Diane Nicolet, Washoe County School District, Member (via Zoom)
Michelle Salazar, At-Large Member (via Zoom)
John Sherman, At-Large Member (via Zoom)
Dian VanderWell, Sparks City Council, Member (via Zoom)

Janis Galassini, County Clerk
Jennifer Gustafson, Deputy District Attorney (via Zoom)

The Washoe County Debt Management Commission met in regular session at 11:18 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 County Clerk's call of the roll and the Pledge of Allegiance to the flag of our Country, the Board conducted the following business:

21-016D **AGENDA ITEM 3** Public Comment.

There was no response to the call for public comment.

21-017D **AGENDA ITEM 4** Oaths of Office, as necessary, for any new Commission members appointed by the Washoe County Commission, Reno City Council, Sparks City Council, or the Washoe County School District Board of Trustees.

County Clerk Jan Galassini administered the Oath of Office to Diane Nicolet.

***11:21 a.m.** **Member Herman arrived.**

When asked to introduce herself. Member Nicolet said she lived in Reno since 1993 and her three children went to school in Washoe County. She admitted she had much to learn about the Debt Management Commission (DMC), but she was honored to be on the Commission.

Chair Duerr congratulated her on her appointment. She said the DMC had been well-served by its Washoe County School District (WCSD) Trustees. She told a story about signing the inaugural debt issuance bond under the new bonding authority for infrastructure development. She concurred there would be much to learn but suggested she reach out to Member Sherman, WCSD Chief Financial Officer Mark Mathers, and the other DMC Members, who underwent significant training over the prior six years, for help.

21-018D **AGENDA ITEM 5** Appearance by the Truckee Meadows Fire Protection District and presentation of its debt position.

Chair Duerr stated the Debt Management Commission (DMC) received annual reports from around 20 agencies who would possibly come to the DMC for analysis and approval to issue debt. Agencies were invited to give updates, and in this case the Truckee Meadows Fire Protection District (TMFPD) had a proposal to issue debt later in the agenda.

John Peterson with JNA Consulting, municipal advisor to the TMFPD, noted he came before the DMC a year before with a similar presentation. He reviewed the one-page summary document provided for the item. He explained the medium-term bond approved in 2020 was for fire apparatus and other vehicles. He reminded the Commission he appeared before the DMC in February 2020 to get approval on the capital improvement bond. He noted both bonds utilized exceptionally good rates which were fixed and would not change. He confirmed Chair Duerr's assumption that the presentation described all outstanding debt and the TMFPD had no other obligations.

Chair Duerr asked for an overview of the TMFPD's revenues and expenditures. Cindy Vance, Chief Fiscal Officer for the TMFPD, replied the TMFPD had roughly $33 million in total revenues and expenditures each year. Chair Duerr inquired about the $44 million in other liabilities listed in the presentation document. Ms. Vance explained the $32.8 million in net pension liability could not be prepaid and it was paid through their payroll. She confirmed the $33 million in annual revenues and expenditures included debt payments.

Chair Duerr asked how the bonds currently held by the TMFPD would be paid. Ms. Vance said there was no special tax, and these would be satisfied by consolidated tax allocations.

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

21-019D **AGENDA ITEM 6** Discussion and possible action on a resolution concerning the submission to the Washoe County Debt Management Commission of a proposal of the Truckee Meadows Fire Protection District to issue Truckee Meadows Fire Protection District general obligation (limited tax) capital improvement bonds (additionally secured by pledged revenues) in the maximum principal amount of $7,000,000.

John Peterson with JNA Consulting, municipal advisor to the Truckee Meadows Fire Protection District (TMFPD), indicated this proposed bond would be on a parity with the prior $2.1 million issued by the TFMPD. Both would be secured by a pledge of 15 percent of the District's distribution of consolidated taxes (c-tax). The District planned to issue $7 million for this bond, which would be in addition to the $2.1 million and $4.415 million bonds issued the prior year.

Mr. Peterson stated the purpose of the support material was to provide the three criteria in the Nevada Revised Statutes (NRS) on which approval or denial was based. The first was found on page 3 and it dealt with the outstanding general debt. He explained the legal debt limit was calculated at 5 percent of the District's assessed value; in this case the limit was $231,723,188. Assuming the bond was approved by the Debt Management Commission (DMC), the item would go back to the Board of Fire Commissioners in March to begin a 90-day petition period. The bond resolution would be adopted in June or July. He remarked the TMFPD did not intend to issue the additional $200 million available in the debt limit. He added the limits for other jurisdictions were as high as 30 percent instead of the District's 5 percent, resulting in huge debt limits.

The second criteria, Mr. Peterson noted, involved the effect of a tax levy for debt service on the bond. Because the 15 percent distribution of c-tax would be sufficient to pay all District bonds, an additional tax levy was not anticipated; therefore, there would be no impact on the overlapping tax rate. He highlighted the estimated interest rate was 3.35 percent, financed over 25 years.

Member Sherman stated the chart on page 6 of this presentation only included debt supported by c-tax; it did not reflect the $4.4 million medium-term bond referenced in Agenda Item 5. Mr. Peterson confirmed this, clarifying that medium-term bonds were paid out of all legally available funds while the other bonds imposed a lien on 15 percent of the c-tax distributions to the District. Medium-term bonds were limited by NRS to ten-year terms. Member Sherman wanted Members to understand why not all TMFPD bonds appeared on the chart.

Chair Duerr asked for further clarification about which revenue streams paid for which bonds. Mr. Peterson replied the $7 million and $2.1 million bonds would be legally secured by a pledge of 15 percent of c-tax distribution. If those pledges were insufficient, the bonds would be paid from other funds legally available to the District. The 4.4 million had no lien on any specific revenue source such as c-tax; it would be paid from all legally available funds. He added legally available funds could include revenues the TMFPD received from property taxes.

Chair Duerr inquired about the bond rating for Washoe County. Mr. Peterson responded the TMFPD was a separate entity from the County, though the latter had an AA2 rating from Moody's and an AA from Standard & Poors. He did not request a bond rating for the TFMPD, though he anticipated doing so as part of the process for the $7 million bond. The requirement to obtain a bond rating depended on the purchaser of the debt; it was often required when bonds were sold to individual investors. He expected the likely purchasers for these bonds to be investment management funds, retirement funds for states other than Nevada, and entities with long-dated liabilities they were looking to offset with an income stream. Banks traditionally did not like to lend for 10 to 15 years, as would be the case for this bond. He reviewed the process for purchasing bonds, including the responsibilities of the underwriters. Anyone who had a hand in the transaction, Mr. Peterson continued, would be compensated. He anticipated the TMFPD would receive at least $7 million for the initial bond sale.

Chair Duerr asked about the disparity between the estimated 3.35 percent interest rate and the 1.5 percent rate referenced earlier. Mr. Peterson replied the District was being conservative because interest rates could not be locked in until the summer. He recalled the Washoe County School District recently issued a 25-year bond in January at a 2 percent rate.

Member VanderWell questioned whether interest rates changed on a daily basis like mortgage rates did. Mr. Peterson answered interest rates fluctuated every day, adding COVID-19 resulted in lower interest rates because it reduced economic output and demand. He anticipated interest rates would increase once things reopened. Member VanderWell asked what interest rates were based on. Mr. Peterson replied the bonds being issued were tax-exempt bonds, and those rates were priced off Municipal Market Data rates. These rates were based on a scale from 1 to 30 years, which changed daily. He verified these bonds would be fixed-rate bonds.

Mr. Peterson continued the presentation, reviewing page 7. He stated the pledged revenues were roughly twice the amount of the proposed pro forma debt service. He noted c-tax distributions across the region were ahead of the budgeted numbers. The TMFPD had already received $4.1 million in c-tax revenue through November 2020, 15 percent of which equaled their annual debt service, with seven more months of collections still to report. He said the budget reflected what the world looked like in April 2020, but revenues had outperformed those projections.

Member Nicolet asked whether c-tax distributions to the TMFPD would decrease if unincorporated areas of the County were annexed by the Cities of Reno or Sparks. Mr. Peterson admitted that was a possibility because the assessed value of an entity was a factor in the distribution of c-tax, but the value of areas which were not annexed would have to hold static. He did not know what to expect over the following 25 years, but he did not foresee that as a problem in terms of bond repayment.

Mr. Peterson commented the NRS requirement about the anticipated need for other incurrences of debt would apply if the TMFPD had proposed to levy a property tax, but there was no plan to levy one. Issuance of this debt would not prevent other entities from levying property taxes. Chair Duerr said the DMC's purpose was to understand how any agency's plans to issue debt impacted other agencies. She recalled hearing stories of the DMC having to handle those type of issues in the past.

Chair Duerr inquired what the $7 million would be used for. Mr. Peterson replied the TMFPD currently leased property on Barron Way for their headquarters, and they intended to use the money to purchase the building and make improvements. TMFPD Chief Fiscal Officer Cindy Vance acknowledged the debt payments would initially be higher than the lease payments but, given that leases were increasing about 3 percent each year, she anticipated lease payments would become higher than estimated debt payments in about five years. She provided the location of the building and said the total purchase price was around $6.3 million.

Chair Duerr opined buying assets was often a really good idea, though the owner would have to contend with maintaining the building. She asked whether the long-term lifecycle costs of owning the building were considered. Ms. Vance responded many lifecycle costs for upgrades already happened even through leasing, which she expected to continue when the TMFPD took over all maintenance.

Mr. Peterson requested that the bond be approved and reminded the Commission a two-thirds majority vote of five Members would be necessary to do so. Responding to a query about why certain bonds needed a super majority, Kendra Follett from Sherman & Howard said different bonds for different entities had different requirements under NRS. Fire districts had different requirements than cities, school districts, and counties. Within that, different bonds for those entities had different requirements.

There was no response to the call for public comment.

On motion by Member Sherman, seconded by Member VanderWell, which motion duly carried on a 7-0 vote, it was ordered that Agenda Item 6 be approved.

21-020D **AGENDA ITEM 7** Approval of the minutes for the DMC meeting of January 22, 2021.

There was no response to the call for public comment.

On motion by Member Ainsworth, seconded by Member Herman, which motion duly carried on a 7-0 vote, it was ordered that Agenda Item 7 be approved.

21-021D **AGENDA ITEM 8** Election of Chair and Vice Chair.

Member Ainsworth nominated Member Duerr to be Chair, which Ms. Duerr accepted. She said it was a pleasure to work with the Debt Management Commission (DMC), as it was one of her favorite boards.

There was no response to the call for public comment.

On motion by Member Ainsworth, seconded by Member Sherman, which motion duly carried on a 7-0 vote, Member Duerr was elected as Chair of the Debt Management Commission.

Member Ainsworth nominated Member Sherman to be Vice Chair, which he accepted.

There was no response to the second call for public comment.

On motion by Member Ainsworth, seconded by Member Salazar, which motion duly carried on a 7-0 vote, Member Sherman was elected as Vice Chair of the Debt Management Commission.

Chair Duerr said Vice Chair Sherman was a treasure for the DMC.

21-022D **AGENDA ITEM 9** Board Member Comments.

County Clerk Jan Galassini confirmed the next Debt Management Commission (DMC) meeting was scheduled for May 21.

There was a discussion about requesting presentations from certain entities, during which Vice Chair Sherman opined it would make sense to have larger entities return, particularly if any of them had plans to issue debt. Member representatives from Washoe County, the Cities of Reno and Sparks, and the Washoe County School District weighed in on whether they thought their agencies planned to issue debt in 2021, but only Chair Duerr was able to say she thought the City of Reno might. Member Ainsworth said she reached out to the Sun Valley General Improvement District about making a presentation for the DMC. She reported it would be better to do so later in the year, not during budget time.

21-023D **AGENDA ITEM 10** Public Comment.

There was no response to the call for public comment.

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12:15 p.m. On motion by Member Ainsworth, seconded by Member Herman, the meeting was adjourned.

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NAOMI DUERR, Chair
Debt Management Commission

ATTEST:

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JANIS GALASSINI, County Clerk
and Ex Officio Secretary,
Debt Management Commission

Minutes Prepared by
Derek Sonderfan, Deputy County Clerk