

**WASHOE COUNTY DEBT MANAGEMENT COMMISSION
SPECIAL MEETING**

FRIDAY

1:30 P.M.

MARCH 11, 2022

PRESENT:

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

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

The Washoe County Debt Management Commission met in special session at 1:30 p.m. in the Washoe County Caucus Room, Administration Complex, 1001 East Ninth Street, Reno, Nevada, and via the Zoom application 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:

22-010D **AGENDA ITEM 3** Public Comment.

There was no response to the call for public comment.

22-011D **AGENDA ITEM 4** Approval of the minutes for the DMC meeting of February 18, 2022. Commission members may identify any additions or corrections to the draft minutes as transcribed.

There was no response to the call for public comment.

On motion by Member Herman, seconded by Vice Chair Sherman, which motion duly carried on a 7-0 vote, it was ordered that Agenda Item 4 be approved.

22-012D **AGENDA ITEM 5** Discussion and possible action on a resolution concerning the submission to the Washoe County Debt Management Commission of a proposal of the City of Reno to issue City of Reno general obligation (limited tax) various purpose bonds (additionally secured by pledged revenues) in the maximum principal amount of \$60,000,000 for the purpose of financing a portion of the cost of the acquisition, construction, improving, and equipping a Public Safety Center, a portion of the costs of the design, acquisition, construction, improving, and equipping an Aquatics Center at Moana Springs, and the design of a Fire Department Headquarters.

Chair Duerr welcomed Finance Director for the City of Reno Deborah Lauchner and Zion Public Finance Municipal Advisor to the City of Reno Andy Artusa. Mr. Artusa reviewed the bond proposal provided. He indicated the proposal requested the issuance of \$60 million in general obligation bonds to the City of Reno, backed by consolidated tax (CTAX) revenue. He directed the Debt Management Commission (DMC) to page one of the proposal, noting it contained a summary of the items that needed to be considered by the DMC before the approval of a proposal. He explained that copies of all the documents listed in the summary had been provided to the Clerk and the Department of Taxation.

Mr. Artusa said the City of Reno was required to prove it would not exceed the City's statutory debt limit, which was set by the City's Charter at 15 percent of assessed valuation. He shared that the statutory debt limit was approximately \$1.6 billion. Mr. Artusa observed the City had an outstanding debt of approximately \$104 million and with the inclusion of the proposed \$60 million it would still have over \$1.4 billion in additional capacity. The City also had to prove it would not impact any tax rate within Washoe County to pay for the proposal. Mr. Artusa directed the DMC to page eight of the proposal, titled "Sufficiency of Pledged Revenues." He explained that the City's CTAX revenues for 2021 were displayed in the first column, and the budgeted revenues for 2022 were also shown with 0 percent growth assumed thereafter. The next column displayed pledged revenues of 15 percent of CTAX revenues, and Mr. Artusa noted under Nevada law that was the maximum amount of CTAX revenues that could be specifically pledged to a bond issue.

Mr. Artusa informed the City had existing bonds outstanding that were paid from CTAX revenues, but those bonds had an additional revenue stream attached to them to pay that debt service. He directed the DMC to the fifth column, Pledged Room Tax Revenues. He noted those were the Special Events Center bonds which were paid from room tax first and supplemented by CTAX revenues. He said the debt service on the events center bonds was included on the chart and the remaining CTAX revenues for 2022 were approximately \$10.2 million. Mr. Artusa discussed the last column, Proposed CTAX Supported Various Purpose Bonds, which showed the proposed debt service on \$60 million. He noted the City planned to issue 30-year level debt to keep the payment the same throughout the life of the bonds so it would not have to rely on growth to pay for the debt service. He said the bonds were included at a rate of 5 percent, and he believed in the current market the City would borrow at a rate closer to 3.6 percent. It was estimated that the debt service would be approximately \$3.9 million per year, however, if it were issued that day, it would be closer to \$3.3 million per year.

Mr. Artusa explained that the most important item to prove to the DMC was that the coverage on the debt exceeded at least one times, which meant the available revenues to pay the bonds were equal to or greater than the debt service. He noted it was significantly higher than that, at almost two times the coverage. He reiterated that the City would utilize a level-debt structure to avoid relying on growth to pay the bonds, and the City was assuming a rate of 5 percent. He said with these items combined, the City did not anticipate ever having to use property taxes to pay for this obligation.

Vice Chair Sherman referred to page four of the proposal, Outstanding Debt and Other Obligations. He asked about a lien on room tax for these bonds. Mr. Artusa responded that

the proposed bonds would not impose a lien on room tax; they would be paid through CTAX revenues. Vice Chair Sherman inquired about the DMC entertaining a motion on a resolution, noting he did not see the resolution in the packet.

County Clerk Jan Galassini thought the DMC would consider a motion to send the item to the entities for approval. She requested clarification from Assistant District Attorney Jen Gustafson. Ms. Gustafson referred to the agenda, noting there was no resolution present, but she had thought there would be a resolution advanced to the DMC for consideration. Ms. Lauchner introduced Scott Shaver of Stradling Yocca Carlson & Rauth, bond counsel for the City of Reno. Mr. Shaver stated there was a resolution that should have been included with the proposal.

Vice Chair Sherman asked about the resolution; he wondered if it was a resolution that had been approved by the City of Reno to bring the bond issue to the DMC. Mr. Artusa said the City adopted a resolution on February 23 to ask the DMC to meet to discuss the bond issue, but noted there was a separate resolution for consideration by the DMC to approve the agenda item. Chair Duerr indicated the resolution was not included with the proposal and requested for copies be obtained for review.

1:45 p.m. **The Board recessed.**

1:56 p.m. **The Board reconvened with all present.**

Chair Duerr noted the Board had copies of the resolution and would recess until 2:00 p.m. to review the resolution.

1:56 p.m. **The Board recessed.**

2:00 p.m. **The Board reconvened with all present.**

Chair Duerr stated that all members of the Debt Management Commission (DMC) had received a copy of the resolution and had an opportunity to review it. She noted it would be posted online within 24 hours of the meeting.

Vice Chair Sherman wondered about the title of the proposed resolution; he said it did not match Agenda Item 5. He asked if the language of the two needed to line up. Mr. Shaver responded that the summary was provided in the agenda, but he was unsure if the title of the resolution had been inserted. He invited Ms. Gustafson to weigh in.

Ms. Gustafson expressed concern that the title of the resolution did not contain the amount of the bonding. Mr. Shaver indicated the amount was included in all the backup material. Ms. Gustafson said it was an issue that the resolution itself did not contain the amount in the title. She explained that the Board could approve the resolution with an amendment to include the maximum principal amount in the title, so the title of the resolution matched the agenda item. Chair Duerr asked if the resolution would then be posted with the correct title. Ms. Gustafson responded the current version that was presented to the Board and the amended version should both be posted. Vice Chair Sherman pointed out the details regarding the amount were included in the fourth

whereas of the resolution. Ms. Gustafson agreed but noted that best practice was for the title to contain the amount to provide ample notice of the intent of the resolution.

Chair Duerr wondered about the bolded section of the resolution, which stated the purpose of the \$60 million was for acquiring, constructing, improving, and equipping a building project, and a recreation project. She noted the purpose of the funding was also for the design of a fire station building and asked if this needed to be included in the bolded section. Mr. Shaver explained that counsel had followed the statutory definition of a building project which included design, but they would entertain changes if the DMC thought they were needed. Chair Duerr requested that the language be amended to read “for the purposes of designing, acquiring, constructing, improving, and equipping a building project.”

Member Nicolet referred to the first paragraph on page two, noting it was well written and identified all three projects. Chair Duerr believed the phrase implied there were two projects: a definite building project, and a recreation building project. She thought with the addition of the word “design”, the design of the fire station building would be incorporated, and the language would encompass all three projects.

Member Nicolet pointed out there would be \$60,000 in interest over the years. She asked if the City had any discussions of a pay-as-you-go arrangement to lower the interest. Ms. Lauchner stated the City originally had a funding plan where it would pay cash for two of the projects, but due to supply chain and labor issues, the total costs of the projects had doubled. The City would need to obtain bonds for the projects to be completed. Chair Duerr questioned why the projects would not be completed without bonds. Ms. Lauchner explained that all the money had to be in hand for construction contracts to be issued, which would take many years. She noted the City’s goal was to have the projects completed and it had already been working on the public safety center for at least three years. Chair Duerr pointed out that the City used to have \$30 million in cash for the projects. Ms. Lauchner replied that the City still had \$30 million in cash for the projects and the bond proposal would cover the balance.

Chair Duerr asked Ms. Lauchner to explain what the cash capital cost would be without interest for all three projects. Ms. Lauchner informed the costs for the projects were \$53 million for the public safety center, approximately \$31 million for the pool, and \$2 million was allocated for the design of the fire headquarters. Chair Duerr inquired about the total cost of the design for the fire headquarters. Ms. Lauchner believed it would be kept within the \$2 million allocated. She said the City had cash funded \$20 million of the cost for the public safety center project and had received a grant from the William N. Pennington Foundation for the pool project. She noted the City would probably need to provide additional cash to complete the pool project even with the bond. Ms. Lauchner stated the public safety center was already under contract in phase one, and the bond would help the City with phase two. Member Nicolet inquired when the buildings could be occupied, and services could be provided. Ms. Lauchner answered that the buildings could be occupied once they were fully constructed.

Chair Duerr observed the pool project was more than a pool, noting it was an aquatic center. She explained it would have a 50-meter Olympic size pool, an aquatic play area, at least one community meeting room, and a full gym. She noted it would be adjacent to playfields

that had already been built by a nonprofit and she thought renovation of a nonaquatic children's play area was also being contemplated as part of the project. Ms. Lauchner commented there were three bodies of water: a splash pad, a small pool, and the large indoor pool. Chair Duerr stated the aquatic center would have rooms available for rent for parties and events once it opened, and she hoped Community Advisory Board meetings would be held there in the future.

Chair Duerr inquired about the location of the fire headquarters. Ms. Lauchner responded that properties were still being identified before the design could begin. She said the City was negotiating with Public Works to make sure the property selected would meet its needs.

Chair Duerr shared that the public safety center was located at the old Reno Gazette-Journal building. She believed the building was designed in the 1970s to be cutting-edge and sustainable. She said the new building would include more sustainability features, and asked Ms. Lauchner if she had additional information. Ms. Lauchner thought it would include those updated features but noted that was a question for the engineers. She informed there would be solar features around the parking area and the City had worked with its sustainability manager to add \$3 million to the project that would deal with microgrid technology. Chair Duerr thought the building's windows would be reglazed or reinstalled to be of higher efficiency.

Chair Duerr stated one of the biggest challenges at the current police station, located at the old jail, was that there was no way to run cables for electronics, so the cables splayed through the rooms. She remarked that when she first toured the location for the public safety center, she noticed there was drop ceiling space available and space available underneath, and it was built to be flexible. She thought that was why the City believed it could repurpose the building. She reported one of the biggest challenges was that the printing presses had taken up three stories of the building, but the area would now be open space with flooring. Chair Duerr noted there were several locations around town where records had been stored, and these would be moved to the public safety center where things could be kept in one centralized location with public parking.

Vice Chair Sherman informed that the nature of the proposed bonds precluded the Debt Management Commission (DMC) from weighing in on the merits of the projects. He inquired again about the room tax and referred to page eight of the proposal. He pointed out two columns: column five, Pledged Room Tax Revenues; and column 8, Subordinate Special Event Center Bonds Debt Service. He asked if these were included in the table because the bonds that had room tax revenues pledged to them also had CTAX revenues pledged so they had to be combined out of necessity to get a more accurate coverage ratio. Ms. Lauchner said that was correct. She explained the City had another bond that was secured with CTAX but room tax was the primary pledge and CTAX was the backstop, so the City had to show that bond first to show it had sufficient CTAX for the new bond.

Vice Chair Sherman wondered if the City had additional bonds that only had room tax revenues pledged to them that were not included in the table. Ms. Lauchner confirmed it did have the ReTRAC bonds with only room tax revenues pledged to them, noting they did not need to be included in the table because they did not have a CTAX pledge so the sufficiency for CTAX did not apply. She noted the ReTRAC bonds had their own room tax that was voted in by the public. Vice Chair Sherman said there was a lot of information provided and he wanted to make

sure it all made sense. He thought the coverage ratio appeared healthy with \$2 to pay for \$1 worth of debt each year.

Chair Duerr requested clarification of the ReTRAC bonds and the Special Events Center Bonds. Ms. Lauchner explained the ReTRAC bonds were funded by room tax but did not have a CTAX backing so they were not included in the table because the sufficiency for CTAX did not need to be shown. The Special Events Center Bonds, Ms. Lauchner said, had a primary pledge of room tax with a secondary pledge of up to 15 percent of the City's CTAX. Chair Duerr wondered if a bond would go unpaid if it took 20 percent of the City's CTAX. Ms. Lauchner asserted the City was limited by Nevada Revised Statutes (NRS) to pledging 15 percent of its CTAX and could not issue a general obligation bond that would require more than 15 percent of the CTAX to pay for it. Vice Chair Sherman asked if the City would have to utilize other revenue if there was not enough CTAX to pay the debt pledged in the 15 percent. Ms. Lauchner commented that is where the property tax would come in, but the City did not plan to ask for an increase in property tax to pay for the debt. She reiterated there was sufficient CTAX to pay the debt.

Vice Chair Sherman questioned if the bonds were issued and the bonds plus the CTAX revenue pledge were not enough to pay the debt, would the first step be to request a property tax increase. Ms. Lauchner asserted the first step would be to try and pay the debt through the City's general fund budget. Vice Chair Sherman asked if the issue would have to come back to the DMC if the City did plan to request an increase to the property tax rate. He believed that would be a conflict. Ms. Lauchner thought if the City were to request a property tax increase it would have to put out a publication and take the issue to the voters.

Mr. Shaver stated if the CTAX revenues were not available, the general fund of the City would be the next step, and the City could levy a property tax if a petition was not filed within the 90-day period. He explained there was a 90-day petition period that started after the Reno City Council published its resolution of intent to issue these bonds. If no petition was filed during the 90 days, the City would be authorized under NRS 350 to issue the bonds without an election. If the CTAX were ever insufficient and the City could not pay the debt out of the general fund, a property tax could be levied without further action or election.

Vice Chair Sherman believed there would be conflicting jurisdictions if the City of Reno had to levy an additional property tax that caused the \$3.64 property tax cap to be exceeded. He inquired where the discussion would happen in that instance. Mr. Shaver stated if the cap were exceeded then it would come back to the DMC for the Board to decide how to allocate. Chair Duerr stated every year the DMC set its priorities, and if this situation were to occur the proposal would come back to the Board to be evaluated against its priorities to determine which parts of the proposal, if any, would be authorized.

Ms. Lauchner assured the DMC that the City's general fund was healthy, and the City had no intention to ask for property tax increases to pay the bond. She indicated there were other discretionary funds within the general fund that could be used to pay the bond if necessary. Member Nicolet wondered again about a pay-as-you-go option, asking if some of the interest could be saved. Ms. Lauchner responded the City had conducted analyses and could not find a way to complete the projects on a pay-as-you-go basis. Chair Duerr noted Ms. Lauchner had been

successful at reissuing bonds for lower interest rates and prepaying bonds to reduce the terms. She asked if prepayment would be allowed on these bonds. Ms. Lauchner replied that according to the bond terms, prepayment could be accepted after the first ten years. She observed the City would try to pay off the smaller debts that were coming to an end first. She shared that last year the City had paid off its ReTRAC lease revenue bonds and approximately \$19 million in sewer bonds. She said the City wanted to keep its funds healthy and provide the service the community deserved.

Vice Chair Sherman thought there would be an incremental increase in the interest rate paid on the bonds if prepayment were allowed because the bondholders wanted assurance. Ms. Lauchner confirmed, noting that was why prepayments were avoided for the first ten years. Chair Duerr commented that the City prepaid the \$19 million for the sewer bonds with cash. Member Nicolet inquired if the sewer bonds were prepaid because it saved the City money, and Ms. Lauchner confirmed. Chair Duerr observed that the City of Reno had been working to pay off smaller debts for a while. Ms. Lauchner noted it was a goal of the City to pay down or pay off smaller debts. She said the City had made significant progress; in 2011 the City had \$600 million in bonds, and in 2022 it only had \$104 million in bonds. Chair Duerr believed the City had paid about \$160 million in general obligation bonds alone, and Ms. Lauchner noted it might be closer to \$200 million. Chair Duerr expressed appreciation for the Reno City Council and its hard work in paying down debt instead of taking on other projects.

Chair Duerr asked for assistance with the motion language, to include the proposed changes made by the DMC. Ms. Gustafson suggested the amount of the bond be added to the title. Chair Duerr read draft language from Ms. Lauchner. She requested the word “designing” be added to the bolded block at the bottom of page one of the proposal in front of the word “acquiring.” Member Salazar suggested using Agenda Item 5 to retitile the resolution. Ms. Gustafson confirmed there were no issues with the suggested changes.

Ms. Gustafson wondered about the noticed postings listed in the resolution and asked for verification that the locations were accurate. She noted that the Open Meeting Law had changed and there was no longer a three-location requirement, but it was required to be posted at the principal office of the Debt Management Commission which was the Washoe County Administration Complex. County Clerk Jan Galassini informed that it was posted at the Washoe County Administration Complex, the Washoe County website, and notice.nv.gov. She stated the other named locations would be removed from the amended resolution. Member Nicolet asked if the resolution had been posted. Ms. Galassini replied that it would be posted along with the amended resolution within 24 hours, noting that complied with the Open Meeting Law.

Chair Duerr requested guidance for section 4A regarding the posting locations. She suggested the language be amended to reflect the three locations it was posted. Ms. Gustafson referred to page two of the agenda and said that language could be inserted into the resolution. Ms. Galassini reminded the Board the amended resolution would be sent to the members and posted along with the original within 24 hours.

Chair Duerr complimented the Board for its work and the finance staff for their thorough evaluation of what was needed from a fiscal standpoint.

There was no response to the call for public comment.

Chair Duerr reviewed the motion. She reiterated the DMC wanted to amend the resolution to add the amount of \$60 million to the title and include the word “design” in the purpose. She suggested the “action taken” language be removed. The word “designing” would be added to the purpose on page one in the bolded language, and the posting locations would be updated on pages four and five in section 4A. Section 1A items one through seven would be removed.

On motion by Member Nicolet, seconded by Member Herman, which motion duly carried on a 7-0 vote, it was ordered that Agenda Item 5 be approved with the stated amendments.

22-013D **AGENDA ITEM 6** Board Member Comments.

Chair Duerr said the Debt Management Commission (DMC) had a presentation by the City of Reno in preparation for the evaluation in Agenda Item 5, and she wondered if any other jurisdictions were preparing to do the same. Member Nicolet stated that the Washoe County School District (WCSD) wanted to present to the DMC in May or August. Chair Duerr asked that the WCSD be invited to the May meeting.

22-014D **AGENDA ITEM 7** Public Comment.

There was no response to the call for public comment.

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2:51 p.m. There being no further business to discuss, the meeting was adjourned without objection.

NAOMI DUERR, Chair
Debt Management Commission

ATTEST:

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

*Minutes Prepared by
Lauren Morris, Deputy County Clerk*