

**WASHOE COUNTY DEBT MANAGEMENT COMMISSION
SPECIAL MEETING**

FRIDAY

1:00 P.M.

APRIL 14, 2023

PRESENT:

Naomi Duerr, Reno City Council, Chair
Michelle Salazar, At-Large Member, Vice Chair
Dian VanderWell, Sparks City Council, Member
Adam Mayberry, Washoe County School District, Member
Susan Severt, GID Representative, Member
Eugenia Larmore, At-Large Member

Janis Galassini, County Clerk
Trenton Ross, Deputy District Attorney

ABSENT:

Jeanne Herman, Washoe County Commissioner, Member

The Washoe County Debt Management Commission met in special session at 1:00 p.m. in the Caucus Room of the Washoe County 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:

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Chair Duerr asked those in attendance to introduce themselves. Attendees from the City of Sparks included Chief Financial Officer (CFO) Jeff Cronk and Operations Accounting Manager Kayla Neff. Ryan Henry indicated he was a representative of Sherman & Howard LLC and served as bond counsel for the City of Sparks. Marty Johnson shared he was a representative of JNA Consulting Group, LLC, which served as the financial adviser for the City of Sparks. Attendees from Washoe County included CFO Abigail Yacoben, Administrative Secretary Evonne Strickland, Deputy County Clerk Lauren Morris, and Deputy District Attorney (DDA) Jennifer Gustafson.

DDA Gustafson observed it was her last Debt Management Commission (DMC) meeting and said she would introduce DDA Trenton Ross during public comment.

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23-024D **AGENDA ITEM 3** Public Comment.

Deputy District Attorney (DDA) Jennifer Gustafson reiterated it was her last Debt Management Commission (DMC) meeting. She observed the District Attorney's (DAs) Office

occasionally changed staff assignments and DDA Trenton Ross would serve as legal counsel to the DMC going forward. She informed that DDA Ross had been an attorney with the DA's Office for about two or three years and had an undergraduate degree in finance. She thought he would be a great fit for this Board. She addressed pending requests, including a breakdown from the DA's Office regarding the requirements and duties of the DMC pursuant to the Nevada Revised Statutes (NRS). She observed DDA Ross would work on that, and he hoped to present that information during the May meeting. She mentioned there was also a request for a list of the entities that provided disclosures to the DMC for its Annual Meeting in August. Additionally, there was a request to identify any agencies operating in the County that should provide annual disclosures to the DMC that were not currently on the list. If the members of the Board thought there were any agencies that were not on the list but should be, this should be brought to DDA Ross' attention. DDA Gustafson recalled there was a question about the Reno-Tahoe Airport Authority (RTAA) and informed there was a limited carveout in NRS 350.013 that indicated the RTAA did not have to submit annual disclosures in August if it did not have any outstanding general obligation (GO) bonds, and if it was not issuing or intending to issue any such bonds. She asserted there were probably some years the RTAA submitted disclosures and some years it had not.

Chair Duerr asked if that was the only agency with a carveout in the NRS to which DDA Gustafson confirmed that was correct. Chair Duerr informed she would ask DDA Ross to look into agencies such as the Truckee Meadows Water Authority (TMWA), the Truckee River Flood Management Authority (TRFMA), and the Regional Transportation Commission (RTC). She observed each of those agencies sold bonds and had capital projects, but it was unclear if they were under the purview of the DMC.

DDA Gustafson stated she had enjoyed serving this Board. Chair Duerr thought DDA Gustafson had done an amazing job and said she had enjoyed working with her. She noted she would continue to work with DDA Gustafson on one other board.

23-025D **AGENDA ITEM 4** Approval of minutes for the DMC meeting of February 9, 2023. Commission members may identify any additions or corrections to the draft minutes as written.

Chair Duerr observed that recently, many of the other boards she served on had been making corrections to the minutes. County Clerk Jan Galassini stated if a mistake was made the Clerk's Office would want it to be corrected.

There was no response to the call for public comment.

On motion by Member VanderWell, seconded by Member Larmore, which motion duly carried on a 6-0 vote with Member Herman absent, it was ordered that Agenda Item 4 be approved.

23-026D **AGENDA ITEM 5** Discussion and possible action on a resolution concerning the submission to the Washoe County Debt Management Commission of a proposal by the City of Sparks, Nevada to issue general obligation (limited tax) fire station bonds (additionally secured by pledged revenues) in an aggregate principal amount

not to exceed \$15,000,000 for the purpose of financing a portion of the cost of acquiring, improving and equipping fire protection and/or building projects, including, without limitation, any applicable fire protection and fire-fighting facilities, buildings, structures, fixtures, furnishings, vehicles, equipment and apparatus (or any combination thereof) for the project known as Fire Station #6; and approving certain details in connection therewith.

City of Sparks Chief Financial Officer (CFO) Jeff Cronk thanked the Debt Management Commission (DMC) for holding a special meeting to accommodate Sparks. He hoped to be able to close the bond item out in the fall and he appreciated the Board's time. He introduced Marty Johnson of JNA Consulting Group, LLC, and noted Mr. Johnson served as the external financial adviser for Sparks. He pointed out the packet of information provided to each member of the Board and said it contained supporting documentation for Sparks' intent to issue general obligation (GO) bonds not to exceed \$15 million. The Sparks City Council had approved the Resolution of Intent (ROI) to notice the DMC. Mr. Cronk observed the intent of the bond issuance was to fund Fire Station 6 in Sparks and improve the service requirements.

Mr. Johnson directed the Board to the financial packet and indicated he would discuss the criteria. He observed the two things the DMC would look at were the impact on the issuer's debt limit and the impact on the overlapping tax rate. He referred to pages 2 and 3 of the packet and informed the only outstanding GO debt Sparks had was related to its sewer system; there was just under \$8 million outstanding there. The other bonds were not secured by the GO so they did not count against the debt limit. He remarked that Sparks was proposing \$15 million for the fire station, and based on the current year's assessed value, Sparks' debt limit was just under \$800 million. With this issuance, Sparks would still have approximately \$22 million outstanding. There would still be more than \$750 million of debt limit. He declared Sparks had no issues meeting that criterion.

Mr. Johnson informed the bonds would be secured by a pledge of Sparks' consolidated tax (CTAX) revenues, and Nevada Revised Statutes (NRS) allowed Sparks to pledge 15 percent of those. Regarding outstanding bonds, Sparks had a revenue bond that was also secured by CTAX revenues. He reported that the vast majority of those payments for fiscal year 2023 (FY23) had already been made. Those payments would continue for another couple of years.

Regarding proposed bonds, Mr. Johnson reported a 5.5 percent interest rate was estimated, which he declared was very conservative as rates continued to drop. He observed the total debt service for the next few years would be approximately \$1,850,000, which would drop as the old bonds were paid off.

Mr. Johnson discussed the pledged revenues and reminded that was 15 percent of Sparks' CTAX revenues. He shared that the Senior Lien Bonds would be paid first and they had a coverage ratio of about 5.7 since Sparks had almost \$6 million of pledged revenue with the debt service at just over \$1 million. Sparks was proposing to add \$825,000 of debt service in the early years, bringing the total debt service to approximately \$1.8 million. He informed once the old bonds were paid off, the debt service would drop to just under \$1.4 million. Even with a debt service of \$1.8 million, Sparks would still have a coverage ratio of over three in terms of the

pledged revenues compared to the debt service. He asserted the economy would have to tank significantly before Sparks would ever have a problem with coverage on the proposed bonds. He declared neither he nor Sparks expected a need to ever increase a property tax to repay the proposed bonds; therefore, it would not impact any other entity's ability to increase a tax rate. He noted that with the overlapping tax rate at 3.66, there was no room for any entity to increase a tax rate anyway. He remarked that Sparks met the criteria regarding the impact on the overlapping tax rate.

Mr. Johnson shared that the documents were provided to the County Clerk's Office as well as the State of Nevada Department of Taxation as an update to Sparks' Debt Management Policy and Capital Improvement Plan that were filed as required prior to the DMC's Annual Meeting in August 2022.

Member Larmore asked about the expectation for the level of CTAX, noting it was a relatively stable tax. She commented that there was talk of recession. Mr. Cronk confirmed it was a relatively stable tax but stated it was probably Sparks' most volatile revenue source. He observed Sparks was in the process of finalizing its budgets and he had not seen any data since December or January, so the data was significantly in arrears. He opined this could have been a result of the bad weather. He reported Sparks had to lower its expectations for the level of CTAX but did expect it to grow, albeit not as robust. He spoke about FY24 and shared the current budget projections were about 2 percent. He recalled the spending during and coming out of the COVID-19 (C19) pandemic was over the top, and now things were plateauing. He reiterated the CTAX would have to crash, almost by two-thirds, before there would be a struggle for Sparks to repay the proposed bonds.

Chair Duerr inquired about the coverage ratios. Mr. Johnson responded that NRS only required a coverage ratio of 1 for GO-backed bonds. He observed if the bonds were being proposed as revenue bonds, Sparks would probably want a coverage ratio in the range of 1.25 to 1.5. The actual coverage ratio was double that, which he asserted was an excellent coverage ratio. Chair Duerr stated she thought that was worth a second mention because it was rather unique.

Chair Duerr commended Sparks for being able to build a fire station. She observed the City of Reno had built a fire station in South Reno that had only cost around \$3.1 million, but that was about eight years prior. She pointed out the current cost to build a station was approximately \$15 million, which was an indicator of how things were changing. She informed Reno would be looking into building a larger fire station and headquarters downtown which could cost the same amount or more as the proposed Sparks station.

Ryan Henry of Sherman & Howard LLC mentioned the resolution before the DMC that day required a two-thirds majority approval to pass. He noted any GO bond required two-thirds approval, which was at least five votes, to pass. That did not exclude any vacancies or absences. He expressed appreciation to everyone for their attendance and coordination in scheduling the meeting.

There was no response to the call for public comment.

On motion by Member Mayberry, seconded by Member VanderWell, which motion duly carried on a 6-0 vote with Member Herman absent, it was ordered that Agenda Item 5 be approved. The Resolution for same is attached hereto and made a part of the minutes thereof.

As a citizen of Sparks, Member Mayberry commended the City and asserted the fire station was needed and long overdue.

Chair Duerr invited everyone to stay and take a photo in celebration.

23-027D **AGENDA ITEM 6** Status update from Commission members regarding potential upcoming bond proposals from the entities within the Debt Management Commission's purview.

Chair Duerr remarked this item was for members of the Debt Management Commission (DMC) to share information about things that might be on the horizon so the Commission could potentially anticipate scheduling requirements.

Chair Duerr asked the members of the Board if they had any information to share to which they responded no. She thought the City of Reno might have a few things on the immediate horizon but she was unsure of the timing. She shared she could reach out to Reno's Chief Financial Officer (CFO) to request information. She informed Reno had done a bond sale that included planning of the fire station, but she did not know when Reno would be ready to move forward. She commented there might be a second tranche on the Moana pool, but she did not think it was likely.

Chair Duerr asked Member Severt if the Sun Valley General Improvement District (SVGID) might have anything coming up to which Member Severt replied no. Member Severt observed the SVGID was more of an enterprise and everything was pay-as-you-go.

Chair Duerr asked about a disclosure for Member Mayberry on an upcoming item. Deputy District Attorney (DDA) Jennifer Gustafson responded she would have to speak with Member Mayberry. Member Mayberry thought it was unlikely the debt would be issued so the discussion was moot.

DDA Gustafson encouraged the members of the Board to email DDA Trenton Ross if they thought they might have a conflict of interest or a need to provide a disclosure or abstain. She said DDA Ross would be happy to walk Board members through language if a disclosure was needed. Chair Duerr clarified the members of the Board were allowed to vote on their own agency's bond items, it was not perceived to be a conflict. She noted if the members had a different role at their agency, not as an elected or appointed official, the case might be different.

23-028D **AGENDA ITEM 7** Board Member Comments.

Chair Duerr asked Deputy District Attorney (DDA) Trenton Ross for a reminder of the upcoming agenda items. DDA Ross stated that for the May meeting of the Debt Management Commission (DMC), he would discuss the Board's purview in terms of its role and expectations.

He shared he might also go over the list of entities within the DMC's purview that were required to submit annual disclosures. Chair Duerr inquired if County Clerk Jan Galassini had an agenda item as well to which DDA Ross responded it was combined with his item regarding the list of entities. Ms. Galassini observed that according to Nevada Revised Statutes (NRS) the entities were supposed to provide the annual disclosures but there was no penalty if they did not. Chair Duerr believed some entities usually did not provide them. Deputy County Clerk Lauren Morris informed that the Grandview Terrace Water District and the Verdi Television District (TV District) had not been providing disclosures. She noted it was unclear whether the Grandview Terrace Water District was still active. Chair Duerr suggested DDA Ross could call the two districts to find out if they were still active and if they should be providing annual reports.

Chair Duerr asked for a reminder of the upcoming meetings. Ms. Morris responded that the meetings were scheduled as follows: Thursday, May 18, 2023, at 1:00 p.m.; Friday, August 18, 2023, at 1:00 p.m.; and tentatively Friday, November 17, 2023, at 1:00 p.m. She observed the November meeting date would be confirmed by the DMC during its Annual Meeting in August. DDA Jennifer Gustafson reminded that the DMC was required by statute to set its meeting dates for the year during the Annual Meeting.

23-029D **AGENDA ITEM 8** Public Comment.

There was no response to the call for public comment.

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1:33 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*