

**DEBT MANAGEMENT COMMISSION
WASHOE COUNTY, NEVADA**

ANNUAL MEETING

FRIDAY

3:00 P.M.

JULY 18, 2003

PRESENT:

Jim Galloway, Chairman, Washoe County
Richard Pugh, Vice Chairman, At-Large
Geno Martini, City of Sparks
Jonnie Pullman, Commissioner, School District *
Robert Seach, Commissioner, At-Large
Robert Wolf, Commissioner, General Improvement District
Sharon Zadra, Commissioner, City of Reno *

Amy Harvey, County Clerk
Paul Lipparelli, Legal Counsel

The Washoe County Debt Management Commission (DMC) met in the Commission Chambers of the Washoe County Administration Complex, 1001 East Ninth Street, Reno, Nevada, in full conformity with the law and Chairman Galloway presiding. Following the Pledge of Allegiance to the flag of our Country, the Clerk called the roll and the Board conducted the following business:

OATH OF OFFICE - NEW CITY OF SPARKS MEMBER

Amy Harvey, County Clerk, administered the Oath of Office to Geno Martini as the newly appointed Debt Management Commissioner representing the City of Sparks.

03-07DMC AGENDA

In accordance with the Open Meeting Law, on motion by Commissioner Wolf, seconded by Commissioner Pugh, which motion duly carried with Commissioners Pullman and Zadra temporarily absent, Chairman Galloway ordered that the agenda for the July 18, 2003 annual meeting be approved.

PUBLIC COMMENTS

There was no response to the call for public comments.

03-08DMC MINUTES

On motion by Commissioner Wolf, seconded by Commissioner Pugh, which motion duly carried with Commissioner Martini abstaining and Commissioners Pullman and Zadra temporarily absent, Chairman Galloway ordered that the minutes of the February 7, 2003 Organizational meeting be approved.

03-09DMC ESTABLISH PERCENTAGE OF OVERLAPPING TAX RATE AS TRIGGER FOR ADDITIONAL CONSIDERATION OF PUBLIC NEEDS

Legal Counsel Paul Lipparelli explained that NRS 350.0051(d) requires the DMC to set a percentage of the tax cap, which cannot be less than 75 percent, as a threshold to trigger the Board's authority to inquire into extra areas of a proposal. Under ordinary circumstances the Board's authority on proposals for debt and special elective taxes is limited to examining the amount of outstanding debt of the proposing entity, the effect of the tax levy for the debt service and the anticipated need for other incurrence of debt by that municipality and other municipalities within the jurisdiction of the DMC. Mr. Lipparelli further advised that, for any proposals that exceed the specified threshold, the Board is also permitted to inquire into the public need to be served by the proceeds of the debt or tax levy in accordance with the Board's established priorities and to compare that public need and other public needs that appear on the statement in order to evaluate the debt proposal.

* **3:10 p.m.** Commissioner Zadra arrived at the meeting.

Mr. Lipparelli continued stating the statute previously set the percentage at 90 percent, but now the Board has the obligation to set it somewhere between 75 and 100 percent. The Board has historically set the threshold at 90 percent.

Chairman Galloway asked if this percentage establishes the threshold at which the Board **may** exercise its discretion to make the additional inquiries, or does it **require** that the Board do so. Mr. Lipparelli stated the language in the statute is "shall" and his opinion would be that the Board is required to examine the public need and do the necessary comparisons whenever a proposal would result in the combined property tax rate exceeding the specified percentage in the overlapping entities.

* **3:15 p.m.** Commissioner Pullman arrived at the meeting.

Chairman Galloway noted that if the legislature raises the tax cap and the percentage is too high, for instance 95 percent, the Board would have no ability to scrutinize proposals on the higher level.

Commissioner Wolf asked if there had been any problems having it at 90 percent in the past. Chairman Galloway stated there were not.

Commissioner Pugh asked if there was any information on what the legislature might do. Darin Conforti, Washoe County Senior Fiscal Analyst, stated there are no tax bills contemplated which would change the current property tax cap in the special session underway. He further stated that 90 percent of \$3.64 is \$3.27, and all of the overlapping rates in Washoe County are already above \$3.27.

On motion by Commissioner Wolf, seconded by Commissioner Martini, which motion duly carried, Chairman Galloway ordered that 90 percent be established as the percentage of limitation on total ad valorem tax levy for the purposes of NRS 350.0051(d).

03-10DMC ESTABLISH PRIORITIES - ESSENTIAL-NONESSENTIAL FACILITIES AND SERVICES

Legal Counsel Paul Lipparelli advised that, in accordance with NRS 350.0051(d)(1), the Board has the duty to establish priorities among essential and nonessential facilities and services to be used when determining the public need to be served by a proposed debt or tax levy. He read the statute noting that facilities and services related to public safety, education and health must be considered essential facilities and services, and all other facilities and services must be considered nonessential.

Chairman Galloway recalled that the Board previously established public safety, education and health as essential facilities and services. He asked if that was sufficient or whether they needed to be ranked or if more specificity was needed. Mr. Lipparelli stated he felt that would be sufficient, but it might be helpful to state why, since these are the priorities the Board will use when it exercises its discretion to examine the public need to be served by the proceeds of a proposed debt or tax; and it gives the Board the basis by which it will judge proposals that would be over 90 percent of the tax cap.

Commissioner Wolf asked if the three areas are further defined in statute or if that is up to the Board members to decide. Mr. Lipparelli stated that would be the Commissioners' duty.

On motion by Commissioner Martini, seconded by Commissioner Zadra, which motion duly carried, Chairman Galloway ordered that public safety, education and health be established as essential facilities and services, all having priority; and all other facilities and services be established as nonessential.

03-11DMC REVIEW AND ACCEPTANCE OF ANNUAL REPORTS FROM POLITICAL SUBDIVISIONS

On motion by Commissioner Zadra, seconded by Commissioner Wolf, which motion duly carried, Chairman Galloway ordered that the Annual Indebtedness

Reports, Debt Management Plans and Capital Improvement Programs received from the following entities be accepted:

Airport Authority of Washoe County
Gerlach General Improvement District
Grandview Terrace General Improvement District
Incline Village General Improvement District
North Lake Tahoe Fire Protection District
Palomino Valley General Improvement District
Regional Transportation Commission
City of Reno
Redevelopment Agency of the City of Reno
Reno-Sparks Convention and Visitors Authority
City of Sparks
Redevelopment Agency of the City of Sparks
South Truckee Meadows General Improvement District
Sun Valley General Improvement District
Truckee Meadows Fire Protection District
Truckee Meadows Water Authority
Verdi Television District
Washoe County School District
Washoe County

**03-12DMC RESOLUTION - GENERAL OBLIGATION SEWER BONDS -
CITY OF SPARKS**

Terri Thomas, City of Sparks Finance Director, reviewed the proposal for the City of Sparks to issue up to \$9,000,000 in General Obligation Sewer Bonds advising this proposal is the third State Revolving Fund bond for the Sparks effluent pipeline project. She stated this phase of the project would extend the pipeline farther up into the Spanish Springs area and provide effluent irrigation for the School District, Washoe County Parks, and other private users. Ms. Thomas advised that the debt service payments are distinctly assumed in the current rate structure adopted by the Sparks City Council for sewer use and connection fees, which is in effect for the five-year period beginning January 1, 2002. She further said that the revenue derived from the effluent users would simply enhance the revenue stream and better cover the debt service.

Chairman Galloway asked Ms. Thomas to elaborate on the margin of the debt coverage. Ms. Thomas responded that they currently have almost five times coverage and that coverage will be largely sustained through the period the bonds are to be issued, keeping in mind that the amortization schedule is a "best guess" and assumes that the whole \$9-million will be drawn down through the State Revolving Fund.

Chairman Galloway noted that this proposal does not increase the property tax rate.

On motion by Commissioner Pugh, seconded by Commissioner Pullman, which motion duly carried, it was ordered that the following Resolution be adopted and Chairman Galloway be authorized to execute the same:

RESOLUTION NO. 03-12DMC

A RESOLUTION CONCERNING THE SUBMISSION TO THE WASHOE COUNTY DEBT MANAGEMENT COMMISSION OF A PROPOSAL TO ISSUE GENERAL OBLIGATIONS ADDITIONALLY SECURED BY PLEDGED REVENUES; CONCERNING ACTION TAKEN THEREON BY THE COMMISSION; AND APPROVING CERTAIN DETAILS IN CONNECTION THEREWITH.

WHEREAS, pursuant to §§ 350.011 through 350.0165, Nevada Revised Statutes ("NRS"), the City Council (the "Council") of Sparks, Nevada (the "City"), notified the secretary of the Washoe County Debt Management Commission (the "Secretary" and the "Commission," respectively) of the City's proposal to issue general obligations and submitted a statement of the City's proposal in sufficient number of copies for each member of the Commission; and

WHEREAS, the Council anticipates making a determination that the pledged revenues will at least equal the amount required in each year for the payment of interest on and principal of such general obligation sewer bonds; and

WHEREAS, the Council proposes to incur such general obligations without an election unless a petition, signed by the requisite number of registered voters of the City, is presented to the Council requiring the Council, prior to incurring such general obligations, to submit to the qualified electors of the City for their approval or disapproval, the following proposal to incur such general obligations:

**GENERAL OBLIGATION SEWER BONDS
(ADDITIONALLY SECURED BY PLEDGED
REVENUES) PROPOSAL:**

Shall the City Council of the City of Sparks, Nevada, be authorized to incur a general obligation indebtedness (additionally secured by pledged revenues) on behalf of the City by the issuance at one time, or from time to time, of the City's general obligation sewer bonds, in one series, or more, in the aggregate principal amount of not exceeding \$9,000,000 for the purpose of acquiring, improving and equipping a City sanitary sewer project such bonds to mature commencing not later than five (5) years from the date or respective dates of the bonds and ending not later than thirty (30) years therefrom payable from general (ad valorem) taxes (except to the extent pledged revenues and other

monies are available therefor), and to be issued and sold at, above, or below par at an effective interest rate (including any sale discount) not exceeding the statutory maximum rate, if any, as shall be determined at the time of the sale thereof, and otherwise to be issued in such manner, upon such terms and conditions, with such covenants and agreements, and with such other detail as the Council may determine, including at its option but not necessarily limited to provisions for the redemption of bonds prior to maturity without or with the payment of a premium?

(the "Proposal"); and

WHEREAS, pursuant to NRS § 350.0145, the Secretary, with the approval of the Chairman of the Commission, thereupon, within ten days from the receipt of the Proposal, gave notice of a meeting to be held not less than twenty days thereafter, and provided a copy of the Proposal to each member of the Commission with the notice of the meeting; and

WHEREAS, the Commission has heard anyone desiring to be heard and has taken other evidence relevant to its approving or disapproving the Proposal; and

WHEREAS, the Commission has received from the City complete statements of current and contemplated general obligation debt, a debt management policy, a capital improvement plan (which includes the capital improvements proposed to be financed as provided in the Proposal) and a statement of the chief financial officer, in full compliance with NRS 350.013; and

WHEREAS, the Commission has considered all matters in the premises.

NOW, THEREFORE, BE IT RESOLVED BY THE WASHOE COUNTY DEBT MANAGEMENT COMMISSION OF WASHOE, NEVADA:

Section 1. This resolution shall be known as the "2003 City of Sparks Sewer Bonds DMC Approval Resolution."

Section 2. The Commission hereby finds that the requirements of NRS §§ 350.013 to 350.015, inclusive have been met, and the Proposal for the issuance of general obligation sewer bonds (additionally secured by pledged revenues) in the maximum principal amount of \$9,000,000 by the City hereby is approved.

Section 3. The Commission and the officers thereof hereby are authorized and directed to take all action necessary or appropriate to effectuate the provisions of this resolution.

Section 4. All bylaws, orders, resolutions or parts thereof in conflict with this resolution are hereby repealed. This repealer shall not be construed to revive any bylaw, order, resolution or part thereof heretofore repealed.

Section 5. If any section, paragraph, clause or provision of this resolution shall for any reason be held to be invalid or unenforceable, the invalidity of unenforceability of the section, paragraph, clause or provision shall not affect any of the remaining provisions of this resolution.

Section 6. This resolution shall become effective and be in force immediately upon its adoption.

**03-13DMC RESOLUTION - GENERAL OBLIGATION SEWER BONDS -
CITY OF RENO**

Andrew Green, City of Reno Finance Director, reviewed the proposal by the City of Reno to issue up to \$85,000,000 in General Obligation Sewer Bonds reporting that these bonds, which would be additionally secured by revenue from the sewer fund, would be for upcoming projects within Reno's sanitary sewer district. He stated this proposal would not affect the property tax rate; debt service would be included in the established sewer rates; the coverage is approximately 1.19; and Reno staff anticipates requesting the Reno City Council to increase rates in September.

Chairman Galloway asked what interest rate was being assumed for the debt service in order to get the 1.19 coverage and when the debt would be issued. Mr. Green responded they are assuming a 5.5 percent interest rate, and the debt would probably be issued in late 2003 or early 2004. He further advised they are looking at a combination of State Revolving Funds and regular market bonds.

Chairman Galloway stated he was uneasy with only 1.19 coverage and asked what would happen if interest rates changed by the end of the year. Mr. Green explained the City has a five-year plan that provides for a sewer rate increase in April 2004; and that increase, as well as any potential future rate increases, are not included in the proposal. He further stated if the coverage factor fell below 1.19, it would not make sense for the City to issue the bonds. Chairman Galloway asked if there was a "rule of thumb" that the coverage should be 1.3 or better. Mr. Green stated it is usually 1.2 to 1.35.

Jennifer Stern, Bond Counsel, stated the State Revolving Fund requires that the rate structure be one times coverage; and if the bonds were marketed in a public offering, they would have to have at least one times coverage because of the general obligation backing. If these were issued as straight revenue bonds without the general obligation backing, bond holders would require something between 1.25 and 1.3 times coverage to give them extra security; and they would also require that there be a reserve fund as well as placing other restrictions on the limitation of additional bonds. Ms. Stern

further explained the general obligation backing enables the City to keep the sewer rates as low as possible.

Chairman Galloway stated one of the Board's responsibilities is not to authorize a proposal if it would fall back on the general taxpayers of the City. Ms. Stern stated, as part of the bond ordinance the City would have to adopt, the City of Reno is promising to keep rates and charges in their sewer fund at a sufficient level to cover operation and maintenance as well as debt service on any outstanding bonds payable from the sewer fund.

Commissioner Zadra asked if this proposal or action was in any way a deviation or departure from prior practice. Ms. Stern stated it was not.

Commissioner Seach asked what the proposed projects include. Greg Dennis, City of Reno Sanitary Engineer, responded there are a number of different projects related to new growth and several projects related to repair and replacement. The largest project is the Truckee Meadows Water Reclamation Facility at approximately \$41-million. He further stated they have 1963 blowers and aeration systems that need upgraded; and the Stead plant, constructed in 1974, is near capacity and will have to be expanded.

Commissioner Pullman asked if it was correct that, although bonds would be issued, new growth projects are actually paid for by the new people coming into the area. Mr. Dennis stated new growth pays for new growth.

On motion by Commissioner Zadra, seconded by Commissioner Pullman, which motion duly carried, it was ordered that the following Resolution be adopted and Chairman Galloway be authorized to execute the same:

RESOLUTION NO. 03-13DMC

A RESOLUTION CONCERNING THE SUBMISSION TO THE WASHOE COUNTY DEBT MANAGEMENT COMMISSION OF A PROPOSAL BY THE CITY OF RENO TO ISSUE GENERAL OBLIGATION SEWER BONDS ADDITIONALLY SECURED BY PLEDGED REVENUES; CONCERNING ACTION TAKEN THEREON BY THE COMMISSION; AND APPROVING CERTAIN DETAILS IN CONNECTION THEREWITH.

WHEREAS, pursuant to §§ 350.011 through 350.0165, Nevada Revised Statutes ("NRS"), the City Council (the "Council") of the City of Reno, Nevada (the "City"), notified the secretary of the Washoe County Debt Management Commission (the "Secretary" and the "Commission," respectively) of the City's proposal to issue general obligations additionally secured by pledged revenues and submitted a statement of the City's proposal in sufficient number of copies for each member of the Commission; and

WHEREAS, the Council anticipates making a determination that the pledged revenues will at least equal the amount required in each year for the payment of interest on and principal of such general obligation sewer bonds; and

WHEREAS, the Council proposes to incur such general obligations without an election unless a petition, signed by the requisite number of registered voters of the City who together with any corporate petitioners represent the requisite assessed value of the taxable property of the City, is presented to the Council requiring the Council, prior to incurring such general obligations, to submit to the qualified electors of the City for their approval or disapproval, the following proposal to incur such general obligations:

**GENERAL OBLIGATION SEWER BONDS
(ADDITIONALLY SECURED BY PLEDGED
REVENUES) PROPOSAL:**

Shall the City Council of the City of Reno, Nevada, be authorized to incur a general obligation indebtedness (additionally secured by pledged revenues) on behalf of the City by the issuance at one time, or from time to time, of the City's general obligation sewer bonds, in one series or more, in the aggregate principal amount of not exceeding \$85,000,000 for the purpose of acquiring, improving and equipping City sanitary sewer projects, such bonds to mature commencing not later than five (5) years from the date or respective dates of the bonds and ending not later than thirty (30) years therefrom payable from general (ad valorem) taxes (except to the extent pledged revenues and other monies are available therefor), and to be issued and sold at, above, or below par at an effective interest rate (including any sale discount) not exceeding the statutory maximum rate, if any, as shall be determined at the time of the sale thereof, and otherwise to be issued in such manner, upon such terms and conditions, with such covenants and agreements, and with such other detail as the Council may determine, including at its option but not necessarily limited to provisions for the redemption of bonds prior to maturity without or with the payment of a premium?

(the "Proposal"); and

WHEREAS, pursuant to NRS § 350.015, the Secretary, with the approval of the Chairman of the Commission, thereupon, within ten days from the receipt of the Proposal, gave notice of a meeting to be held not less than twenty days thereafter, and

provided a copy of the Proposal to each member of the Commission with the notice of the meeting; and

WHEREAS, the Commission has heard anyone desiring to be heard and has taken other evidence relevant to its approving or disapproving the Proposal; and

WHEREAS, the Commission has received from the City complete statements of current and contemplated general obligation debt, a debt management policy, a capital improvements plan (which includes the capital improvements proposed to be financed as provided in the Proposal) and a statement of the chief financial officer, in full compliance with NRS 350.013; and

WHEREAS, the Commission has considered all matters in the premises.

NOW, THEREFORE, BE IT RESOLVED BY THE WASHOE COUNTY DEBT MANAGEMENT COMMISSION OF WASHOE, NEVADA:

Section 1. This resolution shall be known as the "2003 City of Reno Sewer Bonds DMC Approval Resolution."

Section 2. The Commission hereby finds that the requirements of NRS §§ 350.013 to 350.015, inclusive have been met, and the Proposal for the issuance of general obligation sewer bonds (additionally secured by pledged revenues) in the maximum principal amount of \$85,000,000 by the City hereby is approved.

Section 3. The Commission and the officers thereof hereby are authorized and directed to take all action necessary or appropriate to effectuate the provisions of this resolution.

Section 4. All bylaws, orders, resolutions or parts thereof in conflict with this resolution are hereby repealed. This repealer shall not be construed to revive any bylaw, order, resolution or part thereof heretofore repealed.

Section 5. If any section, paragraph, clause or provision of this resolution shall for any reason be held to be invalid or unenforceable, the invalidity of unenforceability of the section, paragraph, clause or provision shall not affect any of the remaining provisions of this resolution.

Section 6. This resolution shall become effective and be in force immediately upon its adoption.

03-14DMC LEGISLATIVE ISSUES

Darin Conforti, Washoe County Senior Fiscal Analyst, advised staff was not successful in getting a Bill Draft Request (BDR) from any of the entities for the legislative changes the Board wanted to propose; nor were they able to get a Legislator to

introduce the changes. He stated staff is now pursuing having the Committee for Local Government Finance (CLFG) evaluate making the changes. Mr. Conforti said there is also no Nevada Administrative Code for Chapter 350 and staff is exploring whether the CLFG has any regulatory authority. If it does, they may be able to make some of the changes through regulation.

Chairman Galloway stated that at a recent joint meeting, Washoe County, the City of Reno, and the City of Sparks indicated, on the record, that they did not want the \$3.64 tax cap changed.

Commissioner Pullman requested copies of any previous staff reports concerning the proposed legislative changes for herself and the other new Board members. Mr. Conforti stated he would provide copies to all the Commissioners.

03-15DMC SET DATES FOR QUARTERLY MEETINGS FOR 2003/04

Commissioner Pullman asked if the suggested dates are all on Fridays and expressed her feeling that Friday afternoon is not a good time for a meeting. Chairman Galloway advised that traditionally the DMC has always met on Friday afternoon and, for him, it has never conflicted with other meetings. Commissioner Zadra asked if consideration could be given to having the meeting earlier in the day, as she usually meets with constituents on Friday afternoons. Commissioners Pugh and Seach stated they do not have a problem with Friday meetings. Commissioner Martini stated he has no conflicts on Fridays, but suggested that early afternoon might be better. Chairman Galloway asked that staff determine whether there would be any conflicts for any of the Members if the meetings were held at 1:30 in the afternoon on Fridays.

On motion by Commissioner Pullman, seconded by Commissioner Martini, which motion duly carried, Chairman Galloway ordered that the Quarterly Meeting dates for the Debt Management Commission for 2003/2004 be approved as follows: November 14, 2003, February 20, 2004, May 14, 2004, and July 23, 2004. It was further ordered that the Chairman would have the discretion to change the regular meeting time if another time is deemed more appropriate.

PUBLIC COMMENTS

There was no response to the call for public comments.

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There being no further business to come before the Board, the meeting adjourned at 3:55 p.m.

JIM GALLOWAY, Chairman
Debt Management Commission

ATTEST:

AMY HARVEY, Washoe County Clerk
and Ex Officio Secretary,
Debt Management Commission

Minutes Prepared By
Sharon Gotchy, Deputy County Clerk