

**WASHOE COUNTY DEBT MANAGEMENT COMMISSION
SPECIAL MEETING**

FRIDAY

3:00 P.M.

AUGUST 19, 2011

PRESENT:

John Breternitz, Washoe County Commissioner, Chairman
Michelle Salazar, Member At-Large, Vice Chairperson
Dan Carne, Washoe County School District, Member
James Hunting, Member At-Large, Member *
Ted Fuller, GID Representative, Incline Village, Member
Dan Gustin, Reno City Council, Member

Jaime Deller, Deputy County Clerk
Paul Lipparelli, Assistant District Attorney

ABSENT:

Geno Martini, Sparks City Mayor, Member

The Washoe County Debt Management Commission met at 3:00 p.m. in the Washoe County Caucus Room, Administration Complex, 1001 East Ninth Street, Reno, Nevada, in full conformity with the law, with Chairman Breternitz presiding. Following the Pledge of Allegiance to the flag of our Country, the Clerk called the roll and the Board conducted the following business:

11-024DMC AGENDA ITEM 4

Agenda Subject: "Public Comments"

Chairman Breternitz and Member Gustin apologized for not being able to attend the last meeting. There was no response to the call for public comment.

11-025DMC AGENDA ITEM 5

Agenda Subject: "Discussion and possible action on a Resolution concerning the submission to the Washoe County Debt Management Commission by Washoe County School District, Nevada, of a proposal to issue up to \$45,000,000 of General Obligation Bonds previously approved by the voters; and approving certain details in connection therewith."

Marty Johnson, JNA Consulting and Washoe County School District Finance Director, referred to page 6 of the Washoe County School District's (District) report submitted to the Board which showed their Statutory Debt Limitation. He stated the District

was looking to issue \$45 million of bonds and once those bonds were issued there would be just over \$550 million in outstanding debt. The District's debt limit was almost \$2 billion (15 percent of the assessed value), and there would be \$1.3 billion statutory debt limit available after issuing these bonds. He noted as the assessed value fluctuated that limit would also fluctuate, but there was a lot of room.

Mr. Johnson stated this was similar to the proposal the District had before this Board a few months ago. That proposal took money out of the District's debt service fund that was not required to be there and used it to pay off outstanding bonds. Then new bonds were issued to take the place of the old bonds. He said they were proposing to do the same type of transaction with this request. During the last legislative session, a bill was approved that lowered the requirement of the debt service fund to 25 percent of the next year's debt service. The District did not anticipate going down to 25 percent at this time but somewhere between 30 to 35 percent.

Mr. Johnson next referred to page 8 which showed the payments for the outstanding bonds and the pro forma payments for the new bonds. He noted the payments reflected the defeasance of about \$25.9 million of principal and \$17 million in interest. He said the payments assumed an interest rate of 4.5 percent, but if the bonds were sold today, the rate would be under 4 percent.

Mr. Johnson stated page 10 reflected the estimated tax revenues and estimated debt service and the annual difference. He commented the estimated tax revenues excluded interest earnings, which was not that much but was additional revenue available to pay the bonds. He said the estimated tax revenues were the same assumptions the District had in the proposal brought to this Board in June in terms of what the projected revenues would be, which would be a decline of 0.25 percent in 2013. He said there was anecdotal evidence that the decline in revenue might be more than 0.25 percent in 2013. He said if it went down to 3 to 5 percent, the District would have to show they could pay for the bonds within those existing revenues.

3:07 p.m. Member Hunting arrived at the meeting.

Mr. Johnson stated the District could reconfigure how the defeasance was set up to provide more benefit in the early years and then lower those payments in order to help address that situation. He said the property tax revenues, at least as projected right now, would be sufficient to pay the debt service on the bonds.

Mr. Johnson stated page 11 showed information regarding the District's debt service reserve account fund balance, which was based on their 2012 budget and property tax revenues. He explained the interest earnings and subsidies were payments received from the federal government for bonds issued under the subsidy for Stimulus Programs that were in existence in 2009 and 2010. The District took full advantage of all of those opportunities. He mentioned that after the defeasance there would be \$15 million left and the required balance was \$11.7 million. Some of the difference would be used to pay the Incline Village tax

refunds. He explained the District had money set aside for the refunds, but at this time they were not sure if what was set aside was enough.

Member Gustin stated his concern was the estimated tax revenues and the possible decline. Mr. Johnson stated the District was using all the information they could find. The District used the 0.25 percent decline in 2013 based on the information gathered by the State. He said if the District needed to, before they issued the bonds, they would scale back how much they issued or change the defeasance so it would fit within what they thought those revenues would be. He said they would probably structure them around a 5 percent decline in property tax revenues for 2013 when the bonds would be sold. He said there would also be refunding opportunities with lower interest rates.

Mr. Johnson stated the District was in the process of the School Works Program and part of the passage of the bill at the Legislature was to generate this type of bonding capacity, which allowed them to get the bonds issued and get projects going and moving along quickly. The District would like to get the projects underway in the next few months and put people to work.

Member Hunting confirmed in 2013 there was a possibility that the decline might not be at a negative 0.25 percent, but it could be as high as negative 5 percent. Mr. Johnson stated that was entirely possible, but the District would not know until the property valuation was completed. The 0.25 percent decline came from the State's budget, which was what the District relied upon. He said as better information was received before the bonds were issued, they would look at using perhaps a larger decline in property tax revenues. He said the State would conduct a county-by-county decline factor.

Member Gustin inquired when the District would go to market with the bonds. Mr. Johnson replied mid-October to early November. Member Gustin stated this was predicated on 4.5 percent interest. Mr. Johnson stated it was closer to 4 percent and the District was looking to tack the ability to refinance some outstanding bonds on to this transaction to save additional money. Member Gustin asked if the District was hoping to stay within the 10 percent spread. Mr. Johnson stated that was correct and they were hoping to take the fund balance down to 35 percent of next year's debt service, which would give them some additional cushion. In the event the District would need it, they could draw the debt service fund down to pay the bonds, they just could not issue any more bonds until the balance was back over 25 percent.

Chairman Breternitz stated it appeared the District had a plan for the sale and repayment of \$45 million in bonds and yet he wondered how closely the plan had to be followed. He stated the Board was basing their decision on the information presented, yet there was a lot of flux in the plan. Mr. Johnson stated there was a bond oversight panel that reviewed this yesterday and approved moving forward. This would also have to go back before the School Board of Trustees for adoption of a bond resolution. Before the bonds could be issued, they would have to recreate page 10 (estimated debt service coverage) based on the best information they had at that particular time. He said tax revenues had always fluctuated from what was projected. He believed the Legislature required that there be debt

service reserve accounts when the bonds were issued so that if the assessed value did not produce the way they expected, there would be money to make the bond payments.

Jennifer Stern, Swendseid and Stern, stated what used to happen with school district bonds before the rollover bond legislation was that the District would go out to the voters and say they wanted the authority to issue x number of dollars worth of bonds. Whatever the tax rate was at that time would be what they would issue the bonds for. Now the District looked at the current tax rate in advance to determine if they could issue bonds to be repaid under that existing tax rate, together with all of their outstanding bonds. The bonds would go before the Debt Management Commission (DMC), the oversight panel and the District's Board of Trustees. She explained that Mr. Johnson may have to adjust the schedule even after the District's Board adopted the bond resolution when they went out in the market to sell the bonds. She noted that maturity schedule adjustment was provided for in the notice of sale to potential purchasers. She said the District did not want to impact other entities within the County.

Chairman Breternitz stated he understood that, from the District's perspective, but wondered what the DMC was actually approving. Ms. Stern stated the DMC would be approving a proposal from the District to issue up to \$45 million of bonds. The DMC was also looking at the assumption their financial advisor gave them to make sure the reserve requirement was in place, which it was. Also, the DMC needed to make sure what was presented would not impact the tax rate above what the voters approved. She said if something catastrophic happened in the future, the District would be able to raise the tax rate in order to repay the bonds because NRS allowed for the District, general improvement districts, counties and cities to have first priority on the tax rate.

Member Hunting asked how the oversight panel worked. Ms. Stern stated the oversight panel was something the Legislature required for Washoe County and Clark County to take a look at whether there was a need for school improvements. The oversight panel was made up of County Commissioners, City Council Members from both Reno and Sparks, and members of the community. Paul Lipparelli, Assistant District Attorney, stated he confirmed with Ms. Stern that the oversight panel met and approved this bond proposal.

On motion by Member Hunting, seconded by Member Fuller, which motion duly carried with Member Martini absent, it was ordered that Item No. 5 be adopted. The Resolution for same is attached hereto and made a part of the minutes thereof.

11-026DMC

AGENDA ITEM 6

Agenda Subject: "Member Comments."

There were no comments from the members.

11-027DMC

AGENDA ITEM 7

Agenda Subject: "Public Comment."

There was no response to the call for public comment.

* * * * *

ADJOURNMENT

3:26 p.m. There being no further business to come before the Board, on motion by Member Gustin, seconded by Member Salazar, which motion duly carried with Member Martini absent, it was order the meeting be adjourned.

JOHN BRETERNITZ, Chairman,
Debt Management Commission

ATTEST:

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

*Minutes Prepared by
Jaime Deller, Deputy County Clerk*

RESOLUTION

A RESOLUTION CONCERNING THE SUBMISSION TO THE WASHOE COUNTY DEBT MANAGEMENT COMMISSION BY THE WASHOE COUNTY SCHOOL DISTRICT, OF A PROPOSAL TO ISSUE UP TO \$45,000,000 OF GENERAL OBLIGATION BONDS PREVIOUSLY APPROVED BY THE VOTERS; AND APPROVING CERTAIN DETAILS IN CONNECTION THEREWITH.

WHEREAS, pursuant to Nevada Revised Statutes ("NRS") 350.011 through 350.165, the Board of Trustees (the "Board") of the Washoe County School District, Nevada (the "District"), notified the secretary of the Debt Management Commission of Washoe County (the "Secretary" and the "Commission," respectively) of the District's proposal to issue general obligations and submitted a statement of the District's proposal in sufficient number of copies for each member of the Commission; and

WHEREAS, the Board has submitted the following question to the qualified electors of the District at the November 5, 2002 general election and the qualified electors approved the following question at such election:

WASHOE COUNTY SCHOOL DISTRICT BOND QUESTION:

Shall the Washoe County School District be authorized to issue general obligation school bonds to finance the acquisition, construction, improvement and equipping of school facilities? District projections at the time the bonds are issued must indicate that issuance of the bonds will not result in an increase of the existing school bond property tax rate of 38.85 cents (\$0.3885) per \$100 of assessed value. If approved, this authorization will expire November 5, 2012.

(the "Question"); and

WHEREAS, pursuant to Nevada Revised Statutes ("NRS") 350.014(1) and NRS 350.020(4), the Board proposes to incur general obligation debt (subject to the approval of the Washoe County Debt Management Commission) in accordance with the Question approved by the qualified electors of the District and the following proposal:

GENERAL OBLIGATION SCHOOL BOND PROPOSAL:

Shall the Board of Trustees of the Washoe County School District, Nevada, be authorized to incur a general obligation indebtedness on behalf of the District by the issuance at one time, or from time to time, of the District's general obligation school bonds, in one series or more, in the maximum aggregate principal amount of \$45,000,000 for the constructing, expanding, improving and equipping school facilities within the District until November 5, 2012 by constructing or purchasing new buildings for schools, enlarging, remodeling, replacing or repairing existing buildings or grounds, acquiring sites for building schools or additional real property for necessary purposes related to schools, and purchasing necessary furniture and equipment for schools, such bonds to mature not later than thirty (30) years from the date of issuance, payable from general (ad valorem) taxes, and to be issued on or before November 5, 2012 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 Board of Trustees 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 more than twenty days thereafter, and provided a copy of each 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 considered all matters in the premises.

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

Section 1. This resolution shall be known as the "2011B Washoe County School District DMC Approval Resolution."

Section 2. The provisions of NRS 350.013 to 350.0165, and 350.020(4) have been met, and therefore the Proposal for the issuance of general obligation school improvement bonds proposed by the District 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.

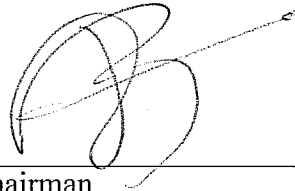
Section 6. This resolution shall become effective and be in force immediately upon its adoption.

ADOPTED this August 19, 2011.

(SEAL)

SEAL OF
Attest:

Jancy L. P. A.
Secretary, Debt Management Commission



Chairman
Debt Management Commission

Jancy L. P. A. Chief Deputy County Clerk

STATE OF NEVADA)
) ss.
COUNTY OF WASHOE)

I, Amy Harvey, the County Clerk of Washoe County, State of Nevada, ex officio Secretary of the Debt Management Commission of Washoe County, State of Nevada, do hereby certify:

1. The foregoing pages are a full and correct copy of a resolution designated as "2011 Washoe County School District Approval Resolution".

2. At the August 19, 2011 meeting of the Debt Management Commission of Washoe County, Nevada, the resolution was passed and adopted. The members of the Commission voted on the passage of the resolution and were present at such meeting as follows:

Those Voting Aye:	John Breternitz Ted Fuller Dan Gustin Dan Carne James Hunting Geno Martini Michelle Salazar
Those Voting Nay:	<u>NONE</u>
Those Absent:	<u>Geno Martini</u>

3. Pursuant to NRS 350.0145, all members of the Commission were given due and proper notice of the meeting. Pursuant to and in full compliance with NRS 241.020, written notice of the meeting was given no later than 9:00 a.m. on the third working day before the meeting including in the notice the time, place, location, and agenda of the meeting:

(a) By posting a copy of the notice not later than 9:00 a.m. on the third working day before the meeting at the principal office of the Commission, or if there is no principal office, at the building in which the meeting is to be held, the Commission's website, if any, and at least three (3) other separate, prominent places within the jurisdiction of the Commission, to wit:

- (i) Washoe County Administration Complex
1001 East Ninth Street
Reno, Nevada
- (ii) Washoe County Courthouse
Virginia and Court Streets
Reno, Nevada
- (iii) Reno City Hall
450 Sinclair Street
Reno, Nevada
- (iv) Sparks Justice Court
630 Greenbrae Drive
Sparks, Nevada

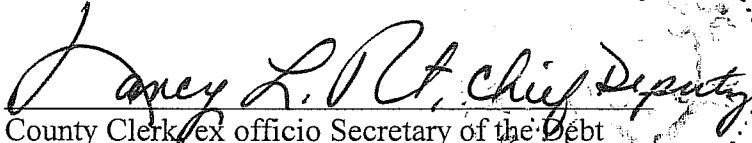
and

(b) By giving a copy of the notice to each person, if any, who has requested notice of the meeting of the Commission in accordance with the provisions of Chapter 241 of NRS.

4. Upon request, the Commission provides at no charge, at least one copy of the agenda for its public meetings, any proposed ordinance, resolution or regulation which will be discussed at the public meeting, and any other supporting materials provided to the Commission for an item on the agenda, except for certain confidential materials and materials pertaining to closed meetings, as provided by law.

5. A copy of the notice given of the meeting of the Commission is attached as Exhibit A.

IN WITNESS WHEREOF, I have hereunto set my hand on this August 12, 2011.


County Clerk, ex officio Secretary of the Debt
Management Commission

