

**WASHOE COUNTY DEBT MANAGEMENT COMMISSION
ORGANIZATIONAL MEETING**

FRIDAY

11:00 A.M.

FEBRUARY 17, 2017

PRESENT:

Naomi Duerr, Reno City Council, Chair
Bob Lucey, Washoe County Commissioner, Vice Chair
Donald Abbott, Sparks City Council
Sandra Ainsworth, GID Representative, Member
Malena Raymond, Washoe County School District
Michelle Salazar, At-Large Member
Bob Kirtley, At-Large Member

Nancy Parent, County Clerk
Dania Reid, Deputy District Attorney

The Washoe County Debt Management Commission met in regular session at 11:01 a.m. in the Washoe County Caucus Room, Administration Complex, 1001 East Ninth Street, Reno, Nevada, in full conformity with the law, with Chair Lucey presiding. Following the Pledge of Allegiance to the flag of our Country, the County Clerk called the roll and the Board conducted the following business:

At the request of the Chair, the following individuals introduced themselves: Kendra Follett, Lawyer with Sherman & Howard, LLC, stated the firm provided bond counsel to many local governments in the State; Tom Ciesynski, Chief Financial Officer with the Washoe County School District (WCSD); Marty Johnson, JNA Consulting Group, said his company provided financial advice for the WCSD; Mark Mathers, Washoe County Budget Manager; and Robert Chisel, Finance Director for the City of Reno.

17-003DMC AGENDA ITEM 4 Public Comment.

There was no response to the call for public comment.

17-004DMC AGENDA ITEM 5 Acknowledge election of General Improvement District (GID) representative.

In response to a question by the Chair, County Clerk Nancy Parent confirmed Sandra Ainsworth was elected by the General Improvement Districts to serve on the Debt Management Commission.

On motion by Member Duerr, seconded by Member Kirtley, which motion duly carried, it was ordered to acknowledge the election of Sandra Ainsworth as the General Improvement District Representative.

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17-005DMC AGENDA ITEM 6 Appointment of At-Large Members.

Chair Lucey noted Michelle Salazar and Bob Kirtley had been At-Large members in the past and they both hoped to continue to serve the Board.

On motion by Member Duerr, seconded by Member Ainsworth, which motion duly carried, it was ordered that Michelle Salazar and Bob Kirtley be reappointed as At-Large members.

17-006DMC AGENDA ITEM 7 Oaths of Office as necessary for new members.

Nancy Parent, County Clerk, administered the Oaths of Office to Malena Raymond, Sandra Ainsworth, Michelle Salazar and Bob Kirtley.

17-007DMC AGENDA ITEM 8 Elect Chairman and Vice Chairman.

Chair Lucey stated he had served as Chair of the Commission for the past two years and Member Duerr had been serving as Vice Chair. He called for a motion.

On motion by Member Ainsworth, seconded by Member Kirtley, which motion duly carried, Member Duerr was elected as Chair.

Newly elected Chair Duerr thanked the Commission members, said she appreciated their confidence in her and thanked Member Lucey for his leadership over the past two years. She requested nominations for the position of Vice Chair.

On motion by Member Ainsworth, seconded by Member Kirtley, which motion duly carried, Member Lucey was elected as Vice Chair.

17-008DMC AGENDA ITEM 9 Approval of Minutes for the DMC annual meeting of December 9, 2016.

On motion by Member Kirtley, seconded by Member Lucey, which motion duly carried, it was ordered to approve Agenda Item 9.

17-009DMC AGENDA ITEM 10 Consideration and possible approval of Resolution concerning the submission to the Washoe County Debt Management Commission of a proposal by Washoe County School District to issue General Obligations (additionally secured by pledged revenues); concerning action taken thereon by the Commission; and approving certain details in connection therewith (for possible action).

Tom Ciesynski, Chief Financial Officer with the Washoe County School District (WCSD), introduced himself; Kendra Follett, Bond Counsel with Sherman & Howard, LLC, and Marty Johnson, from JNA Consulting Group.

Mr. Chiesynski stated this would be the first issuance through the Washoe County Question 1 (WC-1) process and he felt proud to bring this item to the Commission. He informed the board the WCSD was seeking authorization for up to \$200 million. He mentioned Mr. Johnson would provide more specific information about the request and Ms. Follett would explain the legal process.

Ms. Follett informed the Commission that while Mr. Johnson prepared the financial packet, she prepared the resolution which would approve the issuance of up to \$200 million in general obligation bonds additionally secured by pledged revenues. She reported the resolution also made a finding with respect to abatement so the bonds would be exempt from abatement limitations. She noted Mr. Johnson's financial packet detailed the statutory requirements under the Nevada Revised Statutes (NRS) and although the packet included a list of projects, the Debt Management Commission (DMC) did not have statutory oversight on them. The list was provided for the board's information.

Mr. Johnson said the request was for approval of up to \$200 million in bonds, which he anticipated would be issued in phases over the next 12 to 18 months. He mentioned at the very back of the packet was a list of projects which was an excerpt from a presentation that was made to the Capital Projects Funding Committee. He explained the Committee was a group that was tasked with recommending projects to the WCSD. He noted the long list of projects was developed during the WC-1 process.

Member Kirtley inquired about the engineering and costing of the projects. He wanted to know how far along they were in the process.

Finance Director for the City of Reno Robert Chisel replied the facilities team was currently acquiring land for the elementary, middle and high school footprints. He said the plan was not to recreate existing facilities as they needed to be updated. He stated the buildings would likely not look like those that were built 10 years ago; they would have to reconfigure classrooms to address things like changes in technology. He did not have the final footprint of what the elementary schools would look like, but said the planning was well underway. He mentioned the facilities team provided the WCSD Board and the Capital Funding Protection Committee with frequent updates. He explained the Capital Funding Protection Committee was made up of representatives from the County, the Cities and some other local participants. The Committee reviewed the process and brought items to the WCSD Board for final approval.

Member Kirtley inquired if the process was operating on a pro-forma cost per square foot for the new facilities.

Mr. Chisel replied that was correct. He stated all the dollar amounts were vetted through the WC-1 process and included an amount of \$110 to \$120 million for a high school, \$60 million for a middle school and \$20 to \$30 million for an elementary school. He noted the numbers had been fairly static and the task was to design buildings that would fit inside those footprints.

Mr. Johnson clarified the bonds would be paid by the sales tax revenue that was going to be generated, so the criteria was a lot simpler than those that were discussed at the previous meeting involving rollover bonds. In this case they were looking at the impact on the School District's debt limit and the impact on the overlapping tax rate. He noted on page 5 of the presentation the School District's debt limit was shown to be \$2.3 billion. He noted with the District's outstanding bonds, plus the \$200 million that was proposed and the \$15 million that remained from the \$70 million in bonds that were approved with the District's last request, the District would still have \$1.6 billion dollars in debt limit remaining.

Mr. Johnson next spoke about the impact on the property tax rate. He reiterated the bonds were going to be secured by and paid from the sales tax revenues that would be generated and there would be a lien, so the WCSD would have to use those revenues before they could exercise the general obligation pledge. He noted on page 7 of the presentation packet, the estimated payments for the \$200 million in bonds was shown, which amounted to approximately \$13 million per year. Page 8 illustrated the history of taxable sales for 2015 and 2016. He said based on the .54 percent revenue rate, the expected revenue would be somewhere north of \$36 million dollars. He noted for Fiscal Year (FY) 2017 the numbers used were for 2016 because FY 2017 was not yet complete, but the last time he checked taxable sales were up 8 or 9 percent over the prior year. Based on this he thought the revenue numbers presented were very conservative. He concluded even with \$36 million in pledged sales tax revenues and \$13 million of debt service, the WCSD had coverage of almost "2.75 times". The bonds would be paid by the sales tax so there should not be any impacts to the overlapping property tax rate and it should not impeded anyone's ability to utilize the tax rate available. He noted the requirements for rollover bonds did not apply in this case in terms of property tax revenue being sufficient in the reserve fund balance because these bonds would be issued under a different statute. He invited questions from the Board.

Chair Duerr asked about the figures on the last page of the presentation, which included a list of planned school repairs. She stated she understood the data was only informational and did not require approval from the DMC Board, but she had some questions. She said she had heard the additions to Damonte Ranch High School were not just meant to get students out of the modular buildings, but rather to accommodate an additional 900 students. Since the high school was in her ward and in Commissioner Lucey's district, she wondered if that was correct.

Mr. Ciesynski responded that was true. He stated it was his understanding there would be an expansion to the building. They were waiting for the final bid for the process and the groundbreaking was scheduled for March 16th.

Chair Duerr stated she heard the first new elementary school would be built in the Double Diamond area; she asked if that was correct because she did not see it on the list. Member Lucey stated it would actually be built in the South Meadows area.

Member Raymond explained the way the schools were listed in the presentation packet and said according to what the WCSD board had been told by staff, the elementary school

in the South Meadows area was scheduled to open in December of 2019. She noted that date would be dependent on weather and other factors.

Chair Duerr mentioned at the city of Reno some public works projects and capital building projects had come in at a higher than expected cost.

Mr. Ciesynski responded he thought everyone was dealing with the same issues post-recession. He said there were fewer contractors in the community so everyone was at the mercy of the market. He said an inflation factor was built into the process with a cushion of \$100 million to address things that may come in over bid. He said they anticipated things might not go exactly the way they hoped, which is why they included the cushion.

Chair Duerr thought it was important to get that on the record. She noted in the city of Reno some councilmembers were concerned about costs coming in over projections which resulted in delays. She did not want the same thing to happen with the WCSD's projects.

Chair Duerr inquired about the debt coverage ratio and what was expected at the school board.

Mr. Johnson was unsure about the question, but offered a reply. He stated the statutory requirement for general obligation revenue supported bonds was "one time" the coverage. He said since these were the first bonds being issued they have huge coverage at almost "three times". He noted there was a pay-as-you-go component and recognizing that sales taxes could fluctuate he had recommended the WCSD have a "one and one fourth" internal coverage target at a minimum.

Chair Duerr confirmed this is the information she was seeking.

Member Kirtley asked, while there was \$41 million in pledged revenue and a debt service of \$13.4 million, what would happen to the delta between the pledged revenue and the actual expenditure for the debt.

Mr. Johnson responded it would be available for pay-as-you-go costs. He said there would be a bond funded component to the program as well as a cash funded component and that was where the money would go.

In response to a question from Member Kirtley about maintenance and other acquisitions, Mr. Johnson responded the money would go toward those projects.

Mr. Ciesynski confirmed the money would go toward those projects and commented there were certain things they would not want to issue debt for such as items with economic lives that were on the shorter end of the scale. He commented it did not make sense to get a loan for something that would accrue interest; it made more sense to pay for it with dollars that were deposited in the fund.

In response to a question by Member Ainsworth, Mr. Ciesynski stated there were a number of properties around Sparks High School and if those properties could be acquired it would help expand the campus at the school.

Deputy District Attorney Dania Reid stated she had two matters of disclosure to address. The first one involved Member Raymond. She confirmed Member Raymond was a member of the School District Board of Trustees and asked her if that board took any action to vote or advance the resolution to the DMC. Member Raymond replied in the affirmative. Ms. Reid asked if Member Raymond participated in the vote to which Member Raymond answered yes. Ms. Reid thanked Member Raymond and stated according to prior legal opinions, Member Raymond would not be prohibited from voting on this item; however, the disclosure was important for the record.

Ms. Reid stated there was a second matter she wanted to advise the Commission about. She noted at the time of the elections, WC-1 was challenged in the lower courts and the ballot measure was upheld. The matter was currently sitting on appeal with the Nevada Supreme Court. She said the opening brief was due shortly and the Deputy District Attorney who was representing the County shared with her he would be shocked if the Supreme Court voted to undo the lower court ruling and the will of the voters. However, it was important to disclose the information to the Commission as it was a matter that remained a live action on appeal.

On motion by Member Lucey, seconded by Member Raymond, which motion duly carried, it was ordered to approve Agenda Item 10. The Resolution for same is attached hereto and made a part of the minutes thereof.

17-010DMC AGENDA ITEM 11 Member Comments.

There were no comments.

17-011DMC AGENDA ITEM 12 Public Comments.

There was no response to the call for public comment.

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11:26 a.m. There being no further business to discuss, the meeting was adjourned without objection.

NAOMI DUERR, Chair
Debt Management Commission

ATTEST:

NANCY PARENT, County Clerk
and Ex Officio Secretary,
Debt Management Commission

*Minutes Prepared by
Catherine Smith, Deputy County Clerk*