

**WASHOE COUNTY DEBT MANAGEMENT COMMISSION
ANNUAL MEETING**

FRIDAY

11:00 A.M.

AUGUST 17, 2018

PRESENT:

Naomi Duerr, Reno City Council, Chair
Donald Abbott, Sparks City Council
Sandra Ainsworth, GID Representative, Member
Malena Raymond, Washoe County School District

ABSENT:

Bob Kirtley, At-Large Member, Vice Chair
Bob Lucey, Washoe County Commissioner
Michelle Salazar, At-Large Member

Nancy Parent, County Clerk
Dania Reid, Deputy District Attorney

The Washoe County Debt Management Commission met in regular session at 11:09 a.m. in the Washoe County Caucus Room, Administration Complex, 1001 East Ninth Street, Reno, Nevada, in full conformity with the law, with Chair Duerr 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:

18-022D **AGENDA ITEM 4** Public Comment.

There was no response to the call for public comment.

18-023D **AGENDA ITEM 5** Receipt and acknowledgement of the resignation of Bob Kirtley from the Debt Management Commission.

Chair Duerr stated Bob Kirtley was a fantastic resource to the Debt Management Commission. She asked County Clerk Nancy Parent about the process for filling his position. Ms. Parent replied it was an At-Large position and it would have to be advertised within the community. She said the Clerk's Office could post the job specifications on the County's board volunteer webpage and she urged the Board Members to reach out to anyone who might be interested. Chair Duerr asked whether the positions were intended for certain job fields. Ms. Parent stated there were statutory requirements regarding experience. Chair Duerr requested Ms. Parent send those requirements to the Commission members so they could do a better job recruiting. Ms. Parent added the appointment would only be valid until February 2019 unless the appointee reapplied and was reappointed in February. Chair Duerr indicated some members of the City of Reno's Financial Advisory Board might be qualified.

There was no public comment or action taken on this item.

18-024D **AGENDA ITEM 6** Election of Vice Chairperson.

There was no public comment on this item.

On motion by Member Ainsworth, seconded by Member Raymond, which motion duly carried with Members Lucey and Salazar absent, Member Abbott was elected as Vice Chair of the Debt Management Commission.

18-025D **AGENDA ITEM 7** Approval of the minutes for the DMC quarterly meeting of May 18, 2018.

There was no public comment on this item.

On motion by Member Ainsworth, seconded by Member Abbott, which motion duly carried with Members Lucey and Salazar absent, Agenda Item 7 was approved.

18-026D **AGENDA ITEM 8** Appearance by City of Reno's Finance Director Deborah Lauchner and presentation of City of Reno's Debt position.

Chair Duerr explained the Debt Management Commission (DMC) reviewed bond requests from more than sixteen different organizations and it requested the larger groups to make presentations to help the Commission be more knowledgeable.

Ms. Deborah Lauchner, Finance Director for the City of Reno, noted Reno's Financial Advisor Andy Artusa from Zions Public Finance was present to answer questions since she had been in her position for only six months. She drew the DMC's attention to the first page of her presentation where she noted Reno's balance of \$8.5 million in medium-term general obligation (GO) bonds and \$53.6 million in sewer bonds. She added they might issue another bond for the expansion of the Stead Sewer Plant but did not know how large that bond would be. She anticipated the issuance would probably be a combination of state revolving loan funds and bonds; the more state funds they received, the less they would need in bonds.

Member Abbott asked how the medium-term bonds were backed, and Ms. Lauchner answered they were backed by the general fund.

Ms. Lauchner reviewed the second page of her presentation and mentioned the City was considering refunding the 2005 bonds to remove the last swap instrument held by the City. She explained swaps were hard to manage, more costly, and difficult to get out of without incurring fees.

When asked by Chair Duerr why anyone entered into a swap, Mr. Artusa answered swaps helped a City mitigate the risks associated with having a variable-rate bond. A city would pay a fixed interest rate and they would receive a variable amount to offset that. He explained a termination fee would need to be paid to refinance this particular debt. In this instance, the City of Reno would pay to get out of the swap to not have derivative-type instruments in place. He indicated Reno was paying a 3.23 percent rate and, while not

detrimental to the City, he felt it would be good to get out of the swap. Ms. Lauchner agreed and indicated it was preferable to have the certainty of a fixed rate. She added the debt had a weekly reset now as opposed to the less favorable daily reset previously in place. She confirmed the swap was not ideal to manage although it performed better than the prior one. Chair Duerr pointed out the City still did not like the swap. Ms. Lauchner said there was risk associated with it and a recession could result in higher variable rates.

Member Raymond asked what bond this applied to and Ms. Lauchner answered it applied to the 2005A capital refunding bond. Ms. Lauchner noted they were looking into refunding all the 2005 bonds since they were a part of the same issuance. Member Raymond asked about the lack of interest or principal payments on the 2005B and 2005C bonds. Mr. Artusa responded those were capital appreciation bonds and those payments did not happen until the 2005A bonds were redeemed. He noted the interest was accruing which was why they wanted to restructure the debt. He said the revenues were performing better than they had in a long time and the City no longer had to use its consolidated tax to pay those bonds; all of this made it favorable to consider refinancing.

Ms. Lauchner stated capital appreciation bonds were the most expensive an entity could have because they compounded. The City was trying to restructure to get better debt service. She conceded they would likely still have a capital appreciation bond but the City was trying to keep it as small as possible. She expected that to happen in the following year. She indicated there were issues with the sales tax increment revenue bonds because the sales tax increment had not been supporting the bond payments.

Member Abbott asked whether the 2006 sales tax subordinate lien bond was related to the Reno Aces, to which Ms. Lauchner replied it related to the Downtown Events' Center facilities. Mr. Artusa corrected it related to a retail project in the Summit Mall. He added those bonds were not sold to the public; instead Cabela's bought their bonds. Here, the revenues were not sufficient to pay what Reno anticipated the debt service to be and, as a result, Cabela's received less money from them. Member Raymond asked about the Summit Mall bond. Mr. Artusa replied it was the same situation and the bond holder would receive an increment on whatever sales tax was generated. The City estimated it to be a certain amount but it was not materializing as anticipated. Ms. Lauchner pointed out there was no required payment and it would be whatever the increment supported. Mr. Artusa noted it was not accruing more interest.

Chair Duerr asked about increments in redevelopment areas. Mr. Artusa explained those were tax increments based on property tax whereas the ones they were discussing were based on sales tax increments. Chair Duerr asked for clarification about property tax increments. Ms. Lauchner responded when redevelopment areas were created, the creating agency established a base year. Any growth in property tax after that went to the redevelopment agency to pay bonds or support redevelopment projects in that area. Anything generated in the base year went to the taxing agencies who originally would have received it.

Chair Duerr mentioned the redevelopment area that contained the West 2nd Street area gave a presentation where they requested \$100 million of the tax increment. She said the City asked what they planned to do with the money and they laid out a number of interesting

plans including facilities and recycling. She wondered whether this situation ever paid off for redevelopment agencies. Ms. Lauchner answered she had seen successful redevelopment agencies during her time in California before the governor dissolved redevelopment areas to provide more money for schools. She added it was not popular to dissolve them and her agency met with the State Department of Finance over payments that were denied. Her agency usually prevailed.

Chair Duerr asked where the money received from sales tax increment bonds over the base year went. Ms. Lauchner answered it went to pay bond payments. She commented in this case the bondholders were the people who needed the money; they received money up front to do capital projects which they planned to pay back with the increment. Because these agencies were paying themselves back, the term of the bonds would get extended if the increments were not sufficient.

Ms. Lauchner clarified the ReTRAC bonds were listed on the third page of her presentation as 0.125 percent Washoe County dedicated sales tax revenue bonds. She explained they restructured the bonds in June 2018 to be in a position to pay off over the life of the bond; before it would not have paid for itself. She noted they removed the swaps and changed trustees because Bank of New York was charging large fees. She hoped the payoff would be even sooner than how it was structured because she thought the growth and revenues would continue for the foreseeable future.

Member Raymond inquired about the ReTRAC designation for the room tax bonds on the second page of the presentation. Ms. Lauchner responded several ReTRAC issuances were made in 2006 and the City received additional money in 2008. Mr. Artusa said the bonds referenced in Member Raymond's query were backed by a dedicated room tax in the police protection area in downtown Reno. A special levy within that tax went to those bonds. The ReTRAC bonds listed in the presentation were paid from a dedicated sales tax. He added the City also received lease revenues from properties turned over to the city as part of the ReTRAC project.

Chair Duerr asked where bonds that had been paid off were tracked. Ms. Lauchner stated the City had to keep records for 12 years after a bond was defeased. Even though there was no longer a financial obligation, an agency had to keep track of it for the records management piece.

Ms. Lauchner explained special assessment bonds were assessed on the property owners and the City of Reno did not have an obligation to pay them. She stated often times developers of new development requesting the formation of a special assessment district and those requests were evaluated by the City. She summarized the City had about \$475 million in debt and another \$438 million in long-term employee benefit liabilities. She indicated she added the last page of her presentation because the City of Sparks had put it into theirs.

Ms. Lauchner mentioned the City was required to keep the net pension liability for the Public Employees' Retirement System (PERS) on its books although Nevada said the State was responsible for the unfunded liability. She indicated it was unclear who was

responsible so the City would keep it on its books until that was decided. She said it would be beneficial for bond-rating purposes to have an agreement providing clarity on who was obligated to pay that liability. She added ratings agencies took exception when they saw a \$238 million obligation that the City was not actively addressing.

Chair Duerr pointed out the City of Reno's bond rating recently increased to A+, though Ms. Lauchner said bond agencies favored entities who had plans to address problematic long-term liabilities.

Chair Duerr stated she thought the City had been paying down that unfunded liability. Ms. Lauchner responded the City had put money into the budget to pay down other post-employment benefits and workman's compensation, but not PERS since the City had been told that was the State's responsibility. Chair Duerr commented paying down those funds was a big focus of the City.

Member Abbott asked whether the bonds related to the Reno Aces were in the presentation. Ms. Lauchner responded those were part of a settlement agreement that did not appear in the presentation. She said it was not considered a debt and the City paid about \$1 million a year to the Aces according to the contract.

Member Abbott asked about the 2013B various purpose medium-term bonds listed on the first page of the presentation. He noted the City would pay \$6.3 million of it during the current fiscal year and asked when it would be paid off. Ms. Lauchner confirmed with Mr. Artusa that payment would be the final payment on one of the City's street bonds. The resulting money would be available for streets instead of paying off a bond. In response to Chair Duerr's question, Member Abbott clarified the final payment was not scheduled until 2023 but the City would pay it off five years early.

Mr. Artusa stated the bond was a 10-year bond and the first five years were associated with street refunding. The debt service was higher in those years. He stated the rest of it was for fire equipment. Ms. Lauchner stressed it would be a much smaller payment and Mr. Artusa added it would be a huge relief for the City.

Member Raymond asked what the sewer bonds were funding. Ms. Lauchner said they would be used for pipeline projects. She did not know what those particular bonds were issued for but they were typically issued for larger projects. She explained the City was trying to complete projects by paying as they went but admitted larger projects like sewer plant expansion would require the issuance of bonds.

Member Raymond asked why the principal on the 2010 sewer refunding revenue bonds had not been paid down much over the prior eight years. Ms. Lauchner felt it was likely because of how the bond was structured. She said utilizing even debt service often resulted in smaller payments in the beginning because a different bond was slated to be paid off. While the hope was to have even debt service over a period of time, pre-existing bonds often required flexibility in the first few years.

Chair Duerr asked what larger projects the City anticipated. Ms. Lauchner indicated the Reno City Council charged her department to come up with a fire apparatus program, which would likely require both borrowing and cash. She expected that to happen at the latter half of the fiscal year since the City already invested in two pieces of fire equipment, a process that would take 18 months. She planned to structure it so there were large debt payments at the beginning that would diminish over time. She mentioned the City anticipated restructuring two redevelopment bonds and the 2005 capital refunding bonds which had swaps.

Chair Duerr asked whether the DMC reviewed refinancing requests. Ms. Lauchner said refinance requests would not come to the DMC, only requests for medium-term notes. Mr. Artusa corrected her, saying medium-term note requests went to the Department of Taxation. He explained only GO bonds came before the DMC, such as the sewer bond, which would be backed by the enterprise fund. He added the Clerk was notified whenever a medium-term request went to the Department of Taxation but confirmed the DMC did not need to vote on it. Mr. Artusa clarified revenue bonds did not come before the DMC either, though purchase agreements with amortization periods of longer than ten years would come before the Commission.

Chair Duerr praised Mr. Artusa's knowledge and stressed this was why the Commission wanted to see these educational seminars.

There was no public comment or action taken on this item.

18-027D **AGENDA ITEM 9** Receipt and acknowledgement of the Regional Transportation Commission's report of Debt and Long-Term Employee Benefit Liabilities.

Chair Duerr noted the Regional Transportation Commission's (RTC) report was included in the documentation but no one from the RTC was present. County Clerk Nancy Parent noted the RTC had a meeting the same time as the DMC meeting.

There was no public comment on this item.

On motion by Member Raymond, seconded by Member Abbott, which motion duly carried with Members Lucey and Salazar absent, Agenda Item 9 was acknowledged and received.

18-028D **AGENDA ITEM 10** Discussion and action to establish priorities among essential and nonessential facilities and services pursuant to NRS 350.0155(2) that shall be considered by the Debt Management Commission if the statutory ceiling established by the Debt Management Commission for the combined tax rate in any of the overlapping entities within the county is exceeded by a proposed debt or a special elective tax and compare that public need to other public needs that appear on certain filed statements of current and contemplated debt.

Chair Duerr asked who was available to inform the Debt Management Commission (DMC) about this item. Washoe County Assistant County Manager Christine Vuletich responded County staff did not prepare a report but indicated there had not been any changes from the prior year's report, a copy of which the DMC already had.

When asked by Chair Duerr for an overview, Deputy District Attorney Dania Reid stated she was present for open meeting law concerns and not to staff this item, but she would attempt to provide an overview. She agreed there had not been any changes over the prior year. She reminded them once the threshold for the tax cap was exceeded and the DMC was evaluating whether to allow an entity to issue debt, the Commission had to consider the priorities established concerning essential priorities and less essential priorities. She explained the DMC always relied on facilities related to public safety, education, and health as essential functions and each of those functions was given the same weight. All other services were prioritized below these. She said she did not know of a time when facilities and services were weighted otherwise. She remarked staff recommended the DMC continue to approve public safety, health, and education facilities and services equally, with all other functions considered as less essential.

There was no response to the call for public comment.

On motion by Member Ainsworth, seconded by Member Raymond, which motion duly carried with Members Lucey and Salazar absent, Agenda Item 10 was approved as recommended.

18-029D **AGENDA ITEM 11** Discussion and action to specify a threshold percentage of the statutory ceiling for the combined tax rate in any of the overlapping entities within the county, which if exceeded permits the Debt Management Commission to inquire into the public need to be served by proposed debt or a special elective tax based on established priorities among essential and non-essential facilities and services and compare that public need to other public needs that appear on certain filed statements of current and contemplated debt.

Deputy District Attorney Dania Reid stated this item related to the prior item and explained the statutory ceiling for the combined tax rate was \$3.64, which had already been reached. She indicated there had to be a system in place delineating how to get to that threshold. Historically the Debt Management Commission (DMC) kept the threshold percentage at 90 percent of the \$3.64 cap. She added the percentage was set in State law prior to 2001 and no DMC since then felt it necessary to change it. She pointed out they were already at the cap but

the DMC was still required to set the percentage. She recommended keeping a 90 percent threshold.

There followed a discussion between Member Abbott and Ms. Reid clarifying a few aspects of this item. She explained the cap was set in the Nevada Revised Statute and each County's DMC had to specify a percentage of the dollar cap where they could issue more debt. Once the County's \$3.64 was met, nothing could be done until those debts were paid off to free up some room. She added the 90 percent threshold was not currently meaningful because nobody could come to ask to issue more debt. She stated she did not know when the \$3.64 cap was enacted.

Chair Duerr asked what the process would be if they had not yet reached the cap. Ms. Reid answered if the cap was set to 75 percent, as an example, people would request bond issuances from the DMC sooner and there would be less time before entities would compete for bond issuances. Chair Duerr noted there was no current weighing of priority because they were already at the cap. Ms. Reid agreed and said this item was revisited annually only because it was required by law.

Chair Duerr mentioned certain bonds did not have to be under the cap, such as water projects since water was essential to life. Ms. Reid concurred and said school funding was outside the limit. Ms. Duerr said the exemptions were essential services such as public safety, health, and education.

There was no public comment on this item.

On motion by Member Ainsworth, seconded by Member Abbott, which motion duly carried with Members Lucey and Salazar absent, the threshold percentage for the statutory ceiling for the combined tax rate was set at 90 percent.

- 18-030D** **AGENDA ITEM 12** Review and accept the following 2018 Annual Reports from all Washoe County political subdivisions:
- a. • Debt Management Plan
 - b. Indebtedness Reports
 - c. Capital Improvement Plans

Chair Duerr noted most of the political subdivisions were not in the room. She explained understanding the information in these reports was one of the reasons the Debt Management Commission (DMC) wanted to have entities make presentations. She indicated traditionally the Washoe County Finance Director staffed the DMC and asked who could address this item.

Assistant County Manager Christine Vuletich said the County no longer had a Finance Director. She said Budget Manager Lori Cook, who helped prepare the report, was present but they were not prepared to make a presentation. She offered that the County be the next entity to make a presentation to the DMC.

Chair Duerr noted the process worked well when John Sherman was the Finance Director since he had knowledge of finances for not only Washoe County but the entire region. She asked whether they should discuss with the jurisdictions about providing a representative to offer aid to the DMC on an annual basis. She wondered whether the County could take on that responsibility since all reporting jurisdictions fell within the County. Ms. Vuletich said the County would be happy to serve in that capacity but cautioned they would not be able to replace the historical knowledge of Mr. Sherman. She noted there was value in the presentations made to the DMC and the County attended every meeting.

Chair Duerr mentioned she had asked Mr. Sherman if he was going to continue doing consultant work but it sounded like he was phasing that out. She wondered if they could offer him a small contract to come back quarterly to support the DMC but acknowledged the need to utilize other people in that capacity. She requested Ms. Vuletich speak to County Manager John Slaughter to get feedback.

Ms. Vuletich indicated she had 25 years of history in debt issuance but not with the County. She added her last employer's DMC had a financial advisor who attended DMC meetings to answer technical questions, much like Andy Artusa did during the City of Reno's presentation. She suggested getting someone with knowledge of debt issuance and statutes in Nevada. Chair Duerr repeated her request about speaking with Mr. Slaughter to get a recommendation for a financial advisor, perhaps one who was already on a contract. She mentioned the same request could be made of the Cities of Reno and Sparks.

Chair Duerr said she reviewed the reports but, because there was no one to answer questions about the plans, she was unsure whether the DMC was ready to accept the reports.

There was no public comment on this item.

On motion by Member Raymond, seconded by Member Ainsworth, which motion duly carried with Members Lucey and Salazar absent, Agenda Item 12 was accepted.

Chair Duerr asked how the DMC should obtain missing documents. Member Ainsworth thought it was determined at the prior year's meeting that those agencies had no general obligation debt.

Deputy Clerk Derek Sonderfan noted every agency submitted something except the Sierra Fire Protection District, which was already dissolved; that entity would not be part of these reports in 2019. He said some agencies submitted documents saying they had no anticipated debt, but each entity submitted at least one of the three requested documents.

18-031D **AGENDA ITEM 13** Set Dates/Times for DMC Meetings for 2018/19. Suggested dates are set forth below and the suggested time for the meetings is 11:00 a.m.

Friday, November 16, 2018
Friday, February 15, 2019
Friday, May 17, 2019
Friday, August 16, 2019

Chair Duerr pointed out the Friday before Thanksgiving was typically an issue and she suggested moving that date. There was a discussion with the members where it was determined the November meeting be moved to Friday, December 7, 2018.

Member Raymond hoped they would have a new member to replace Member Kirtley by then. County Clerk Nancy Parent said the Commission would be able to discuss a new member at that meeting but they would not have appointed someone by then.

Chair Duerr asked whether they could hold a special meeting to appoint someone, even if it was a call-in meeting. Deputy District Attorney Dania Reid thought that was appropriate. Chair Duerr said she would recommend having a short call-in meeting to appoint a new representative if there were applications. She hoped that would happen a week or more before the next meeting to give the new member time to get acclimated.

After further discussion it was determined the remaining dates were acceptable as proposed on the agenda.

There was public comment on this item.

On motion by Member Abbott, seconded by Member Ainsworth, which motion duly carried, it was ordered that the dates and times for the future Debt Management Commission meetings be Friday, December 7, 2018; Friday, February 15, 2019; Friday, May 17, 2019; and Friday, August 16, 2019.

18-032D **AGENDA ITEM 14** Member Comments, requests for information or topics for future agendas.

Chair Duerr stated representatives from the Manager's Offices for Reno, Sparks, and Washoe County, as well as a delegate from the Washoe County School Board should be asked for recommendations on staffing the annual meeting. She pointed out the task had fallen on Washoe County, which might not be fair. She said she would ask each Manager if they had someone on their staffs qualified to staff the committee.

Chair Duerr confirmed County Clerk Nancy Parent's assumption she wanted the Clerk's Office to reach out on her behalf. Ms. Parent asked whether the request should be for someone in the financial field, to which Chair Duerr replied the person should be in that agency's financial department or a long-term contractor. Chair Duerr commented that person would act as a financial advisor.

Chair Duerr noted the Debt Management Commission (DMC) did not have a budget so they could not hire a financial advisor. She posed the possibility of asking whether a jurisdiction would be willing to make a \$10,000 contract available for that advisor to assist the DMC for a year. She felt it was important to have technical advisors like other boards and commissions had.

Chair Duerr thought the contract could be a contingency in the event some agencies replied their financial staff did not have time to take on extra responsibility. She directed Ms. Parent to draft a letter stating there was a significant need for a finance person to support the DMC. She noted the County, the Cities of Reno and Sparks, and the School District had a vested interest in the decisions made by the DMC.

Member Abbott asked whether the advisor was supposed to advise the DMC on each of the entities who submitted annual records. Chair Duerr responded they needed someone with general knowledge of finances in Washoe County, and someone who could answer questions about liens, taxes, liabilities, and bonds. She remarked agencies who requested bonds often brought someone to do this but the Board did not have someone to advise them on general topics.

Chair Duerr asked Deputy District Dania Reid Attorney whether that was an appropriate request. Ms. Reid replied that, as Chair, Ms. Duerr could make a request of the Clerk but the Board could not have a discussion and vote on it. Chair Duerr requested the topic be put on the next agenda and, in preparation for the item to be discussed, she requested support staff to gather information. Ms. Reid indicated that was acceptable.

Chair Duerr noted Washoe County offered to make a presentation at the next DMC meeting and she requested that get placed on the next agenda. Regarding determining who would make the next presentation after the County, Chair Duerr noted most organizations had no issues with receiving two months' notice.

Member Ainsworth asked about replacing Member Kirtley. Chair Duerr responded the item should be placed on the December 7 agenda, but if enough applications were received, she would call a special meeting before the December one to appoint a new member. Otherwise the new member would be appointed at the December meeting and they would take their place on the Commission at that meeting.

Ms. Parent indicated she would send Chair Duerr the job description which would contain a link to Washoe County's job opportunity page. Ms. Parent stressed the importance for board members to reach out to people to alert them of the opening. Chair Duerr stated she would send a memo to Reno's Finance Advisory Board, who might either be interested themselves or able to spread the word to other qualified people. When asked by Chair Duerr whether the other agencies had a comparable board, Member Raymond indicated the School District just approved one but she was unsure whether it was established. It was unknown whether Washoe County or the City of Sparks had one. Chair Duerr urged the other members to reach out those who might be qualified and interested. Ms. Parent added the applicant would have to live in the County.

18-033D **AGENDA ITEM 15** Public Comments.

There was no response to the call for public comment.

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12:15 p.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:
Derek Sonderfan, Deputy County Clerk*

Pending Board Approval