

WASHOE COUNTY DEBT MANAGEMENT COMMISSION
QUARTERLY MEETING

FRIDAY

11:00 A.M.

NOVEMBER 12, 2021

PRESENT:

Naomi Duerr, Reno City Council, Chair
John Sherman, At-Large Member, Vice-Chair
Sandra Ainsworth, GID Representative, Member
Jeanne Herman, Washoe County Commissioner, Member
Diane Nicolet, Washoe County School District, Member
Michelle Salazar, At-Large Member (via Zoom)
Dian VanderWell, Sparks City Council, Member

Janis Galassini, County Clerk
Jennifer Gustafson, Deputy District Attorney

The Washoe County Debt Management Commission met in regular session at 11:12 a.m. in the Washoe County Caucus Room, Administration Complex, 1001 East Ninth Street, Reno, Nevada, and via the Zoom application in full conformity with the law, with Chair Duerr presiding. Following the County Clerk's call of the roll and the Pledge of Allegiance to the flag of our Country, the Board conducted the following business:

21-037D **AGENDA ITEM 3** Public Comment.

There was no response to the call for public comment.

21-038D **AGENDA ITEM 4** Appearance by Washoe County Chief Financial Officer Christine Vuletich and presentation of Washoe County's debt position

Chair Duerr noted this presentation was part of the Commission's continuing self-education process, and this was the County's second presentation.

Chief Financial Officer for Washoe County Christine Vuletich reviewed the backup document she provided. She indicated the debt issued for the Nevada Shared Radio System would upgrade the public safety radio system used by 17 local agencies; each user was part of a joint operating committee. The upgrade would digitize the new technology allowing it to be interoperable statewide. She said the bonds were issued in September of 2020. At the time these bonds were issued, she added, the County's bond rating was upgraded to an AA Stable by Standard & Poor's and an AA2 Stable by Moody's. She noted all 17 agencies were sharing in the operating costs as well as the costs for new infrastructure. Because of the incredibly low interest rates, the County refinanced its Building & Parks Bonds in 2019 at a 2.3 percent rate and then again in 2020 at a 1.35 percent rate. She believed it was a great time for public agencies to borrow money, though not to invest it.

Regarding the planned issuance of the 2022 Sewer Bonds, Ms. Vuletich stated they took advantage of below-market interest rates and federal funding under the Clean Water Act. She explained the County issued a single bond which was purchased by the State through a loan contract. Because they were authorized to issue \$50 million in debt, she said, they would get approval from the Board of County Commissioners (BCC) on December 14 to enter into a second loan contract for \$23 million. She clarified they had already issued \$27 million, but they would not need to come back to the Debt Management Commission (DMC) because it had already authorized \$50 million in debt.

Ms. Vuletich said the Flood Control Bonds used a variable interest rate that reset every five years. Even though the most recent rate was around 1.6 percent, which was very low, the bonds would be outstanding through 2035 and the variable rate would reset every five years; it was uncertain what would happen to interest rates in that time. Chair Duerr praised that as an intelligent move which would be great for the project. Ms. Vuletich mentioned they planned to come before the BCC on December 14 to refinance the Various Purpose Refunding Bonds Series 2012A, the Parks and Library Refunding Bonds Series 2019A, and the Refunding Bonds Series 2012B. Since interest rates were below 2 percent, she believed they could save \$1.5 million in debt service by doing this.

Member Nicolet asked whether there was a way to compare the data in the chart to general fund revenues. Ms. Vuletich pointed out most of these obligations were not paid out of the general fund; some were paid by consolidated tax (C-tax) and others by utility system ratepayers and connection fees. Vice Chair Sherman clarified they wished to see the debt service coverage ratio which would compare any debt requirements to the revenue supporting it. Ms. Vuletich responded those figures were being worked on right now and she could share that ratio at the next DMC meeting. Chair Duerr pointed out they would need to utilize that information to make decisions in situations where any challenges arose.

Member Herman praised Ms. Vuletich for saving Washoe County a lot of money over the years. Ms. Vuletich replied she did not control interest rates, but they knew to take advantage of low rates. Chair Duerr said the Truckee Meadow Water Authority and the City of Reno did the same thing, and she lauded all government agencies for getting out of variable or high-rate agreements.

Continuing her presentation, Ms. Vuletich said the Senior Lien Car Rental Fee Revenue Bonds Series 2008 were issued as part of construction of the Reno Aces stadium. They were not general obligation bonds, so the County did not pledge its full faith and credit or general revenues against them; they were paid solely by car rental fees. The related Subordinate Lien Car Rental Fee Revenue Bonds were only paid down after the senior debt was paid each year. She indicated these were purchased by a trust and had a very high interest rate which accreted over time. She said the subordinate bonds were paid down only if there were excess rental fees after paying off the senior bonds. She believed that happened only two or three times since 2008 due to the effects of the recession and then the pandemic.

Ms. Vuletich explained the Sales Tax Revenue Refunding Bonds Series 2016A were a refinancing of older debt issued to build the Regional Emergency Operations Center and

the Public Training Center. She confirmed Vice Chair Sherman's assertion that it had a dedicated revenue stream, one-eighth of a cent of sales tax; that money did not come from the general fund.

Comparing current figures to those in previous presentations, Ms. Vuletich pointed out there was a higher outstanding principal balance, but quite a bit of debt had been issued in the interim. This showed her that some County debt had matured, and portions of other debt had been paid down during the refinancing process. She felt the County was in a better net position. She said the Department of Taxation, who reviewed all local budgets for Nevada entities, had noted a statewide trend that debt was going down. Chair Duerr commented the City of Reno had taken on additional debt recently and wondered whether the Department of Taxation's remark was related to total debt or debt payments. Ms. Vuletich said the Department of Taxation representative did not elaborate but she opined there was a general reduction overall. She said special assessment districts (SADs) were created to build roads or streetlights, among other things, and the County's SAD bonds were paid for by assessments on property tax bills for which residents had voted.

Member Nicolet inquired how the DMC was supposed to use this information when considering entity debt issuance requests. Ms. Vuletich responded this presentation was more to provide general knowledge of the County's debt position. Agencies that needed to come before the DMC to request authorization would need to provide information such as debt service coverage, any impact on tax rates, and fiscal analysis. Vice Chair Sherman added that most DMC Members were not used to dealing with debt of this kind, and these presentations helped Members better understand different structures of debt, which revenue streams were used to pay it off, and the different rules used for general obligation debt.

Vice Chair Sherman asked about the cause for the dramatic increase in the sales tax component of C-tax as compared to past figures. Ms. Vuletich said the economy fell sharply in March and April of 2020 when they were putting together the budget for fiscal year 2021. Because no one knew what would happen, they budgeted perhaps overly conservatively. She indicated there had been a rebound, which she thought was a testament to the local regional economy. While Nevada was behind the rest of the country in unemployment and job recovery, that was tied more to the hospitality industry in southern Nevada. She believed the unemployment rate in northern Nevada was below the national average because this area had a more diverse economy. Member VanderWell concurred the sales tax received by the City of Sparks increased a lot as well.

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

21-039D **AGENDA ITEM 5** Approval of the minutes for the DMC meeting of August 20, 2021. Commission members may identify any additions or corrections to the draft minutes as transcribed.

There was no response to the call for public comment.

On motion by Member Ainsworth, seconded by Member Herman, which motion duly carried on a 7-0 vote, it was ordered that Agenda Item 5 be approved.

21-040D **AGENDA ITEM 6** Board Member Comments.

Prompted by Chair Duerr's queries, County Clerk Jan Galassini stated the next Debt Management Commission (DMC) meeting was scheduled for February 18, 2022, and it was anticipated that one or both of the Cities of Reno and Sparks would make a presentation at that meeting. Chair Duerr asked Ms. Galassini to send Outlook reminders to the Commission Members for each of the next three DMC meetings.

21-041D **AGENDA ITEM 14** Public Comment.

There was no response to the call for public comment.

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11:46 a.m. There being no further business to discuss, the meeting was adjourned without objection.

NAOMI DUERR, Chair
Debt Management Commission

ATTEST:

JANIS GALASSINI, County Clerk
and Ex Officio Secretary,
Debt Management Commission

*Minutes Prepared by
Derek Sonderfan, Deputy County Clerk*