WASHOE COUNTY DEBT MANAGEMENT COMMISSION

ANNUAL MEETING

FRIDAY | 1:00 P.M. | AUGUST 18, 2023

PRESENT:

<u>Naomi Duerr, Reno City Council, Chair</u>
<u>Michelle Salazar, At-Large Member, Vice Chair</u>
<u>Jeanne Herman, Washoe County Commissioner, Member</u>
<u>Dian VanderWell, Sparks City Council, Member</u>
<u>Adam Mayberry, Washoe County School District, Member</u>
<u>Susan Severt, GID Representative, Member</u>

<u>Janis Galassini, County Clerk</u>
<u>Trenton Ross, Deputy District Attorney</u>

ABSENT:

<u>Eugenia Larmore, At-Large Member</u>

The Washoe County Debt Management Commission met in regular session at 1:00 p.m. in the Caucus Room of the Washoe County 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:

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Chair Duerr asked for introductions of additional meeting attendees. County Clerk Jan Galassini introduced Deputy Clerks Lauren Morris and Kendra DeSoto-Silva, and Chief Financial Officer (CFO) Abbe Yacoben. Other attendees included City of Reno Finance Director Vicki VanBuren and Washoe County Principal Fiscal Analyst Patsy Buxton.

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23-033D **<u>AGENDA ITEM 3</u>** Public Comment.

There was no response to the call for public comment.

23-034D **<u>AGENDA ITEM 4</u>** Presentation and discussion on the Debt Management Commission's statutory responsibilities and process. Presentation will also discuss entities that have historically reported to Washoe County, and the Commission's role regarding entities' annual reports.

Deputy District Attorney (DDA) Trenton Ross referred to the handout provided with the backup materials for this item. He asserted the Debt Management Commission (DMC) was effectively a check on governmental entities with regard to the issuance of debt, particularly debt that would affect the tax rate. He noted that per the Nevada Revised Statutes (NRS), the tax rate was capped at $3.64, and the Cities of Reno and Sparks were already at that maximum. Therefore, there would not be any new overlapping debt from the Cities. He further explained that because the Cities were located within Washoe County, the County was also unable to issue additional debt. This meant the threshold percentage set by the DMC would chiefly apply to the general improvement districts (GIDs).

DDA Ross observed that each debt issuing entity in Washoe County needed to submit an annual report to the DMC, and the DMC reviewed those reports during its annual meeting held in August. The reports included the entity's statement of current debt, statement of contemplated debt, debt management policy, and five-year capital improvement plan. He pointed out these were the reports the DMC would review in a later agenda item. He said the reports provided information about potential requests for debt issuances that could come before the Commission. He explained that an entity was required to file an update with the Commission if its situation changed and it intended to issue new debt during the fiscal year (FY).

DDA Ross stated the DMC would consider the approval of a debt when an entity reported it would be paid back with revenue or if it planned to issue any special levy taxes. He reminded that it was the DMC's responsibility to monitor the overlapping tax rate. According to his research, there had not been an issue with the overlapping tax rate since 2003, when the Cities had to lower their tax rates so debt could be issued by Washoe County for the animal shelter. He reiterated that entities must come before the DMC before issuing debt so the Commission could evaluate the proposal.

Regarding the approval process, DDA Ross shared that an entity had to file documents with the Clerk's Office in advance, including but not limited to their capital improvement plan. He said there was a statutory limit regarding how long the DMC could hold an item without taking action. Therefore, the Commission might have to schedule a special meeting to hear a proposal. Regardless of a proposal's impact on the tax rate, the DMC would focus their consideration on the following: the amount of debt an entity could accrue and their ability to pay it off; if an entity was raising enough revenue from their bonds to pay off the debt; and if an entity planned to acquire any additional debt. In cases where an entity's proposal affected the property tax rate, the DMC would examine if the debt served an essential public need, which included public safety, education, and health. He advised the DMC would vote on the prioritization of public needs in a later agenda item. He reiterated that examination of public need would only occur if an entity's proposal impacted the combined tax rate. Otherwise, the DMC would not need to evaluate the purpose of the debt. He noted that proposals with no impact on the combined tax rate would still be inspected for an entity's ability to repay the debt. He added that statements from chief financial officers or consulting agencies usually accompanied proposals to help clarify repayment ability. Therefore, the DMC did not typically have to dig too deeply to uncover this information, but still checked to ensure debts could be repaid.

DDA Ross stated NRS Chapter 350 provided various regulations that proposing entities had to abide by. He explained the DMC's main role was to determine if proposals impacted the combined tax rate.

DDA Ross remarked there was a significant list of entities who historically submitted annual reports to the DMC. He noted that the entities were also required to submit reports to the State. He disclosed that, in the past, some entities had skipped the DMC and reported solely to the State. In those instances, the State could remedy this by directing the entity to report to the DMC. However, the DMC could not direct the entity in this way. He added that the entity had to file a capital improvement plan if it intended to issue new debt, which would require the submission of an annual report to the DMC.

County Clerk Jan Galassini reported that every entity had submitted an annual report to the DMC for the current year.

DDA Ross stated the annual reports allowed the DMC to anticipate any forthcoming actions or changes.

Chair Duerr explained the DMC had been puzzled when an entity submitted an annual report but then claimed it was not required to bring its proposals before the DMC. She requested clarification. DDA Ross indicated his preference for every entity to engage with the DMC, regardless of their issuance of new debt. He thought it was possible some entities believed they were exempt if they had no outstanding debt or had not issued new debt in a long time. Chair Duerr asserted she was referring to new debt issuances. She mentioned the Truckee Meadows Water Authority (TMWA) and the Regional Transportation Commission (RTC) as examples of entities that believed they did not need a review by the DMC for new debt issuance. DDA Ross surmised these entities thought they were exempt if they were not impacting the overlapping tax rate, but he could not confirm this was the case. Chair Duerr asked if other Members recalled entities who thought they were exempt. DDA Ross advised that the Airport Authority had a statutory provision of exemption, but RTC and TMWA did not. He declared he would further research the matter. Chair Duerr observed the topic had caused confusion in the past. She spoke about the value of interacting with the reporting entities and viewing their presentations. She informed she was Vice Chair of TMWA and said they were discussing debt. She noted she was not on the RTC Board but knew RTC issued significant debt. DDA Ross reiterated he would look further into the topic.

Chair Duerr commented on past controversies involving the tax cap that necessitated negotiations among the involved parties. She thought it was important to take note of these instances due to the possibility of the Commission encountering controversies that could lead to increased attention and public scrutiny. She wanted to illustrate this point with an example and mentioned her position as Chair of the Washoe County Regional Animal Services (WCRAS) Board for many years. She noted it was an advisory board, not a managing board. She reported the Board experienced recent controversy with a partnering entity that altered the tone of meetings and thrust the Board into the public spotlight. She observed that events could occur quietly without much attention and then change suddenly.

County Clerk Galassini shared that once a decision was made by the Commission, the item went back to its respective board for passage. Chair Duerr agreed that the Commission served in more of an advisory capacity and did not make final decisions for setting tax rates.

Member Mayberry asked if an item would be returned to the governing body if the DMC voted it down. DDA Ross explained mediation would occur between the DMC and the entity because the action could not affect the overlapping tax rate due to statutory regulations. The entity could not issue any debt impacting the rate, so negotiations would be necessary before the item returned to its respective board. He said that had not happened in quite some time. Chair Duerr illustrated this point by specifying the difference between debt funded by general obligation, such as incoming taxes, and debt funded by a specific revenue stream, such as rates from utility users. She mentioned special funds at the City of Reno, designated for specific projects. She stated these funds were specific, dedicated revenue that went against the issuance of debt and did not affect the general tax rate. She noted an entity would not come before the DMC if the overlapping tax rate was not affected by its proposal. She explained that priorities had to be set annually because certain projects would affect the tax rate. Establishing priorities ensured the DMC had guidelines to follow when facing those situations.

23-035D **AGENDA ITEM 5** 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 opened this item by citing an example involving debt issuance requests to fund both a pool and a public safety center. She explained that if a conflict arose between the two items, current priorities would dictate the public safety center would take precedence.

Chair Duerr said the Commission would set the priorities for the upcoming year during this agenda item. She asked Deputy District Attorney (DDA) Trenton Ross to advise the Commission on their options. DDA Ross pointed out Nevada Revised Statute (NRS) 350.0155 stated facilities and services related to public safety, education, and health were considered essential and that everything else was considered nonessential. He reported the Debt Management Commission (DMC) previously established essential services as equal priorities, with all other facilities and services designated as nonessential.

Chair Duerr asked if the DMC could designate rank to the essential items. DDA Ross instructed that the items could be separately ranked if desired, though he did not think it was necessary. Chair Duerr commented that different people saw different items as essential and nonessential based on their unique perspectives. She questioned if DDA Ross recommended the DMC establish public safety, health, and education as coequal priorities, with everything else deemed nonessential. DDA Ross affirmed.

Chair Duerr inquired if the DMC could use a different term for "nonessential" or establish a second tier with lower priority. DDA Ross advised that could be included in a motion.

Member Mayberry sought clarification on how the three essential priorities impacted the Commission's actions. DDA Ross noted the priorities were only considered by the DMC if a proposal to issue debt would increase the tax rate. He reiterated the tax rate could not increase because the Cities of Reno and Sparks were already at the maximum tax threshold, so establishing priorities was a statutory formality in their case. However, if a general improvement district (GID) attempted to issue debt that surpassed the 90 percent threshold, the DMC would consider the priorities. Member Mayberry asked if Washoe County was at the maximum tax rate. DDA Ross responded Washoe County was not at the maximum, but because of the overlapping nature of the entities, Washoe County could not issue debt without impacting Reno or Sparks.

Chair Duerr asked DDA Ross to elaborate with an example. DDA Ross said if the Incline Village General Improvement District (IVGID) issued debt, it would not impact the Cities, but would impact Washoe County. The debt would most likely cause the tax rate to exceed the 90 percent threshold, triggering the DMC to evaluate public need priorities. Chair Duerr asked DDA Ross to explain the 90 percent threshold. He advised it would be discussed in the next agenda item but also pertained to the current item. Last August, DDA Ross observed, the DMC set the threshold at 90 percent of the $3.64 per $100 of assessed valuation limit on the total ad valorem tax levy. He noted 90 percent of $3.64 was $3.276. If any proposal were to push the rate above $3.276, the Commission would consider the public needs the proposal would serve.

Chair Duerr requested an example. DDA Ross stated that if IVGID attempted to issue debt that exceeded the 90 percent rate, the DMC would evaluate if the proposal fulfilled the essential need of public safety, education, or health. Chair Duerr clarified that DDA Ross referred to the entity's proposal of debt issuance. DDA Ross confirmed the DMC would review the fulfillment of essential priorities if the proposal suggested surpassing the 90 percent threshold. Chair Duerr asked if the entity could surpass the threshold if the DMC determined it was for an essential need. DDA Ross explained the Commission would decide if the entity could surpass the 90 percent threshold. Chair Duerr asserted the entity would not be allowed to break the 100 percent threshold. DDA Ross agreed and clarified by stating the entity might be allowed to surpass the $3.276 cap, but would not be allowed to surpass the $3.64 cap.

Chair Duerr requested another example and asked what would happen if an entity wished to build a pool that created debt surpassing the 90 percent threshold. She inquired what role the essential priorities would play in that situation. DDA Ross explained the DMC would evaluate the proposal to find if the pool satisfied the essential need of public safety, education, or health. Chair Duerr suggested the entity would be upset if the proposal was rejected and questioned what might then happen. DDA Ross disclosed that negotiations with the entity would occur to explore solutions that avoided exceeding the threshold.

Chair Duerr asked DDA Ross to state the significance of exceeding the threshold percentage set by the DMC. DDA Ross informed that setting the threshold percentage below 100 percent allowed wiggle room. Otherwise, no entity could issue new debt.

Chair Duerr declared the hypothetical situations being discussed revealed circumstances the DMC might encounter. She posited they would help the Commission understand the implications of its actions and commended Member Mayberry on his inquiries.

Member Mayberry mentioned prioritization being a formality. DDA Ross remarked setting priorities was a formality that mainly impacted GIDs. Statute required the threshold be set every August even though the Cities of Reno and Sparks had reached the maximum tax rate. He explained the Cities had to alleviate some debt before issuing any more and noted the last time Reno alleviated debt was in 2022. Chair Duerr stated the DMC could hypothetically inform an entity to return in two years after it had paid off debt and advise it not to issue new debt while it had outstanding debt. DDA Ross agreed that was a possibility and said entities generally worked with consulting firms and private counsel to avoid public debates. He commented that a lot of work occurred behind the scenes.

Chair Duerr explained the DMC would take action to establish priorities and determine if those priorities would be coequal or individually ranked. The Commission would then potentially set everything else as nonessential or less important. DDA Ross affirmed that essential priorities had to be established.

There was no response to the call for public comment.

On motion by Vice Chair Salazar, seconded by Member Mayberry, which motion duly carried on a 6-0 vote with Member Larmore absent, it was ordered that the Debt Management Commission establish public safety, education, and health facilities and services as essential and all having priority, and all other facilities and services be established as having lower than essential priority.

23-036D **<u>AGENDA ITEM 6</u>** 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 nonessential facilities and services, and compare that public need to other public needs that appear on certain filed statements of current and contemplated debt.

Chair Duerr stated that if an entity's proposal did not encounter the threshold percentage set by the Debt Management Commission (DMC), the DMC would not inquire about the proposal's satisfaction of public needs. She gave a hypothetical example of the City of Reno proposing to purchase a fire engine. Unless the proposal involved raising the combined tax rate above the 90 percent threshold, the DMC was not concerned with the purpose of the fire engine. She explained the DMC could still ask the entity questions, and those questions were not ruled out of order, but the answers could not be used to reach a decision regarding debt issuance. Deputy District Attorney (DDA) Trenton Ross confirmed any information provided could not be used to rule on a proposal that did not exceed the threshold percentage.

DDA Ross noted Nevada Revised Statute (NRS) 350.0155(1) dictated the threshold must be set between 75 percent and 100 percent. He mentioned the threshold had been set at 90 percent since 2001.

There was no response to the call for public comment.

On motion by Member Mayberry, seconded by Member VanderWell, which motion duly carried on a 6-0 vote with Member Larmore absent, it was ordered that the percentage called for in NRS 350.0155(1) be set at 90 percent.

23-037D **AGENDA ITEM 7** Review and accept the following 2023 Annual Reports from all Washoe County political subdivisions:

a. Debt Management Plans
b. Indebtedness Reports
c. Capital Improvement Plans

Chair Duerr asked County Clerk Jan Galassini how many annual reports had been received. Ms. Galassini responded there were 21 reports – one from each of the 21 reporting entities. Chair Duerr remarked the Commission did not usually receive 100 percent of the reports. Ms. Galassini commended Deputy Clerk Lauren Morris for her persistence in obtaining the annual reports. Ms. Morris noted the North Lake Tahoe Fire Protection District (NLTFPD) sent a revised report, a copy of which had been placed on file with the Clerk and sent to each Member.

Chair Duerr stated each entity had submitted its debt management plan, indebtedness report, and capital improvement plan. She mentioned that if an entity changed their capital improvement plan, they had to submit an amended report and a proposal for the new debt, both of which would be approved by the Commission.

Per Chair Duerr's request, Ms. Morris read the name of each reporting entity aloud.

Member Herman warned about the Palomino Valley General Improvement District (PVGID). She said there was tension between elected officials and mentioned the potential for recall petition filings. Chair Duerr asked if Member Herman had any questions about the annual report they submitted. Member Herman did not.

There was no response to the call for public comment.

On motion by Member Severt, seconded by Member Herman, which motion duly carried on a 6-0 vote with Member Larmore absent, it was ordered that Agenda Item 7 be accepted.

23-038D **AGENDA ITEM 8** Discussion and possible action to set dates/times for DMC meetings for 23/24 which must be held at least quarterly pursuant to NRS 350.012(3). Suggested dates are set forth below and the suggested time for the meetings is 1:00 p.m.

Friday, November 17, 2023
Friday, February 16, 2024
Friday, May 17, 2024
Friday, August 16, 2024

Chair Duerr reported that the Debt Management Commission (DMC) previously met on Fridays from 11am to 1pm and asked if the proposed meeting dates would be acceptable for each Member. She clarified with Deputy District Attorney (DDA) Trenton Ross that the DMC met every other January, so there would be no meeting in January 2024.

There was no response to the call for public comment.

On motion by Member Mayberry, seconded by Member Herman, which motion duly carried on a 6-0 vote with Member Larmore absent, it was ordered that the dates for the future Debt Management Commission meetings be: Friday, November 17, 2023; Friday, February 16, 2024; Friday, May 17, 2024; and Friday, August 16, 2024.

23-039D **AGENDA ITEM 9** Approval of minutes for the special DMC meeting of April 14, 2023. Commission members may identify any additions or corrections to the draft minutes as written.

There was no response to the call for public comment.

On motion by Vice Chair Salazar, seconded by Member VanderWell, which motion duly carried on a 6-0 vote with Member Larmore absent, it was ordered that Agenda Item 9 be approved.

23-040D **AGENDA ITEM 10** Status update from Commission members regarding potential upcoming bond proposals from the entities within the Debt Management Commission's purview.

Chair Duerr asserted the purpose of this agenda item was to make the Debt Management Commission (DMC) aware of any potential forthcoming needs. She mentioned it could also help determine if the Commission would take action during a regular or special meeting.

Chair Duerr reported she was unaware of any upcoming proposals from the City of Reno.

Member VanderWell reported no upcoming proposals from the City of Sparks.

Member Severt stated the Sun Valley General Improvement District (SVGID) was undergoing construction and cost sharing to upgrade its water and sewer system. She noted its cost sharing was related to a project with the City of Sparks.

Member Mayberry pointed out the Washoe County School District (WCSD) had approximately $200 million in remaining authorization from the Debt Management Commission (DMC) for bonding. This would be used to authorize and issue bonds for a new middle school, and possibly a new elementary school in Spanish Springs. He shared that their current capital improvement project outlined general school upgrades which were identified in WCSD's Facility Modernization Plan (FMP). He explained the FMP was a $2 million study that examined every school in WCSD. He said some schools would potentially be consolidated or closed, and the FMP would be completed in December. He stated $500 million or more of the projects he mentioned might appear in a five-year capital improvement plan. He had been informed the WCSD would likely come before the DMC in the next fiscal year (FY) for additional bonding authorization. He noted the projects would be paid for with WC-1 funds or other property tax "rollover" bonds.

Member Herman reported no upcoming proposals from Washoe County.

23-041D **AGENDA ITEM 11** Board Member Comments.

Chair Duerr explained the Debt Management Commission (DMC) historically invited entities to present to the Commission. The presentations provided the DMC with knowledge and context if the entity ever submitted a proposal. She inquired when the Washoe County School District (WCSD) last presented to the DMC. Deputy County Clerk Lauren Morris reported the WCSD presented in 2022. Chair Duerr suggested the WCSD make a presentation in the latter half of the current FY to discuss its report. Member Mayberry agreed. Chair Duerr noted the Commission developed a standard format for presentations, which the WCSD was aware of.

Chair Duerr asked County Clerk Jan Galassini if she had any recommendations. Ms. Galassini said an email could be sent to gauge interest for presentation volunteers. She advised that an entity might want to present if they had upcoming debt that was not included in the annual report.

Member Severt announced the Sun Valley General Improvement District (SVGID) would be in contact with Ms. Galassini. Chair Duerr recommended SVGID present to the Commission in February. Member Severt agreed and reported the SVGID had started preparing its presentation.

Chair Duerr remarked that she enjoyed having two presentations per year.

Member Severt thanked Chair Duerr for the informational meeting and stated providing context and examples contributed to more fully understanding the policy. Chair Duerr agreed and commented that reviewing concepts during DMC meetings had been helpful to the Commission in the past. She encouraged Members to bring forward concepts they would like to learn more about.

23-042D **<u>AGENDA ITEM 12</u>** Public Comment.

There was no response to the call for public comment.

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<u>1:50 p.m.</u> There being no further business to discuss, the meeting was adjourned without objection.

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NAOMI DUERR, Chair
Debt Management Commission

ATTEST:

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

Minutes Prepared by
Kendra DeSoto-Silva, Deputy County Clerk
Lauren Morris, Deputy County Clerk