DEBT MANAGEMENT COMMISSION

1. PURPOSE

The Debt Management Commissioner ("DMC") considers proposals by municipalities to incur general obligation debt, to enter into an installment purchase agreement with a term of more than 10 years, or to levy a special elective tax. The DMC also establishes the maximum combined overlapping ad valorem tax levy, that if exceeded by a proposal from a municipality, the DMC may then determine the highest and best use of the unlevied amount of property taxes including the public needs to be served by entities whose tax levying powers may be affected by the proposal. Additionally, the DMC receives and considers annual statements of current and contemplated general obligation debt and special elective taxes, statements of debt management policies and plans for capital improvements.

2. STRUCTURE

The DMC is created by statute in Nevada Revised Statutes 350.011 through 350.0165. The Washoe County DMC is comprised of 7 members (2 at-large appointed by DMC; 5 elected officials from Reno, Sparks, Washoe County, Washoe County School District and a joint General Improvement District representative). DMC meetings are scheduled at the annual meeting in August, and are held quarterly (statutorily required in February, May, statutorily required in August, November) with an additional required meeting in January of every odd year for appointment purposes. Special meetings may be called if a municipality is seeking to issue debt.

3. ANNUAL DOCUMENTATION SUBMITTED TO DMC

The "governing body of a municipality [except the Reno-Tahoe Airport Authority under certain circumstances] which proposes to issue or has outstanding any general obligation debt, other general obligations or special obligations, or which levies or proposes to levy any special elective tax," must submit to the Department of Taxation and the applicable DMC, on or before August 1 of each year, the following documents:

- Statements of current debt and retirement schedules;
- Statement of contemplated debt;
- Debt management policy;
- Capital improvement plan for the ensuing 5 fiscal years (including contemplated debt), or a statement that no changes are contemplated in the capital improvement plan; and
- The name, title, mailing address and telephone number of the Chief Financial Officer of the municipality.

NRS 350.013.

4. DEBT ISSUANCE PROCESS

A. Providing Notice to Affected Overlapping Entity:

Each August, the DMC sets the percentage (between 75% and 100%) of the $3.64 per $100 of assess valuation limit on the total ad valorem tax levy provided in NRS 361.453. Historically, the DMC has selected 90% or $3.276. If a proposal would exceed $3.276, then the issuing municipality must notify other overlapping entities.

A municipality proposing bond issuance must determine if another municipality is impacted by an increase in property taxes and notify any affected municipalities. NRS 350.0135(1). The notification must contain a description of the proposal's effect, the estimated amount the proposal would increase property taxes, and the potential effect of the increase of the affected entity. NRS 350.0135(2). The municipality "receiving notice" may either approve or object via resolution. NRS 350.0135(3) and (4). The resolution is submitted to the DMC and the DMC must resolve conflict between entities, if any. NRS 350.0135(5).

B. Notice to DMC and Procedure:

The municipality issuing the debt shall notify the DMC's secretary and must submit a statement of its proposal for each member of the DMC. Within 10 days, the DMC shall give notice of a meeting to be held not more than 20 days after. NRS 350.0145(1). The DMC may grant conditional or provisional approval of a proposal as long as the conditions or provisions are limited to scheduling the issuance of general obligation debt or the levy a special elective tax and a condition reducing the amount of the proposed debt, installment-purchase agreement or special elective tax. NRS 350.0145(2). If the proposal is from a municipality, the DMC may not approve any portion of the proposal that is not included in the annual statement filed with the DMC.

NRS 350.0145(4) states the DMC "may adjourn a meeting called to consider a particular proposal no more than once, for no more than 60 days, except that the [DMC] must approve or disapprove a proposal at least 30 days before the date on which the governing body that submitted the proposal is required to provide the proposal to the county or city clerk" for any voting deadlines. The DMC must send notice of approval or disapproval to the governing body within 3 days of the DMC's decision. NRS 350.0145(4).

C. DMC Approving Proposals

a. 2/3 Majority Vote Required

Proposals requiring approval from a two-thirds majority of all members of the DMC are when a proposing municipality is:

- Issuing any general obligation (including, without limitation, revenue backed general obligations authorized pursuant to NRS 350.020(3) and rollover bonds issued by school districts in accordance with NRS 350.020(4));
- Levying a special elective tax; and
- Entering into an installment-purchase agreement with a term of more than 10 years.

b. Majority Approval Required

Proposals of general improvement districts with populations of less than 5,000 to incur a medium-term obligation or to otherwise borrow money or to issue securities to evidence such borrowing, other than securities representing a general obligation debt or installment-purchase agreements with a term of 10 years or less, only require approval of the majority of members of the DMC. See NRS 350.014(2).

D. Approval Process:

The commission shall not approve any proposal submitted to it by a municipality:

(a) If the proposal is for the financing of a capital improvement, and that capital improvement is not included in the municipalities plan for capital improvements submitted pursuant to NRS 350.013, if such a plan is required to be submitted;

(b) If, based upon:

(1) Estimates of the amount of tax revenue from property taxes needed for the special elective tax, or to repay the general obligation debt, and the dates that revenue will be needed, as provided by the municipality;

(2) Estimates of the assessed valuation of the municipality for each of the years in which tax revenue is needed, as provided by the municipality;

(3) The amount of any other required levies of property taxes, as shown on the most recently filed final budgets of each entity authorized to levy property taxes on any property within the municipality submitting the proposal; and

(4) Any other factor the municipality discloses to the commission,

→the proposal would result in a combined property tax rate in any of the overlapping entities within the county which exceeds the limit provided in NRS 361.453 ($3.64 on each $100 of assessed valuation), unless:

(i) the proposal also includes an agreement which complies with designated combined tax rate and which is approved by the governing bodies of all affected municipalities within the area as to how the combined property tax rates will be brought into compliance with the statutory limitation; or

(ii) the commission adopts a plan that is approved by the Executive Director of the Department of Taxation pursuant to which the combined property tax rate will be in compliance with the statutory limitation; or

(c) If, based upon the factors listed in subparagraphs (1) to (4), inclusive, of paragraph (b), the proposal will affect the ability of an affected governmental entity to levy the maximum amount of property taxes that it may levy pursuant to NRS 354.59811, unless:

(i) The proposal includes a resolution approving the proposal for each affected governmental entity whose ability to levy property taxes will be affected by the commission's approval of the proposal; or

(ii) The commission has resolved all conflicts between the municipality and all affected governmental entities and has approved the increase in property taxes resulting from the proposal.

NRS 350.014(4).

E. <u>Criteria for Approval or Disapproval:</u>

The DMC shall not discuss or determine whether proposed debt is sought to accomplish a public purpose or to satisfy a public need, unless the proposal would result in a combined property tax rate in any of the overlapping entities within the county which exceeds the specified percentage, or the DMC must resolve a conflict between the municipality and affected entities. NRS 350.015(1).

<u>Proposals Affecting Tax Rates:</u> If a proposal would result in a combined property tax rate in any of the overlapping entities within the county exceeding the specified percentage set by the DMC, then the DMC must consider, but is not limited to, criteria found in NRS 350.015. The criteria are:

- If the proposal is to incur debt, the amount of debt outstanding on the part of the municipality proposing to incur debt.

- The effect of the tax levy required for debt service on the proposed debt to repay an installment-purchase agreement with a term of more than 10 years, or of the proposed levy of a special elective tax, upon the ability the municipality proposing to incur the general obligation debt, enter the installment-purchase agreement or levy the special elective tax and of other municipalities to raise revenue for operating purposes.

- The anticipated need for other incurrences of debt, installment-purchase agreements or levies of special elective taxes by the municipality proposing to incur the debt, enter the installment-purchase agreement or levy the special elective tax and other municipalities whose tax-levying powers overlap, as shown by the county or regional master plan, if any, and by other available information.

- If proposal estimates indicate that the proposal would result in a combined property tax rate in any of the overlapping entities within the county which exceeds the specified percentage under law, the DMC shall evaluate:

    - The public need to be served by the proceeds from the proposed debt or tax levy in accordance with the priorities established by the DMC pursuant to NRS 350.0155(2); and

    - A comparison of the public need and other public needs that appear on the statements of the current and contemplated general obligation debt and special elective taxes submitted that may affect the combined property tax rate in any of the overlapping entities within the county.

For purposes of evaluating the public need, the DMC shall establish priorities among essential and nonessential facilities and services for the purposes of NRS 350.015(1)(d). Pursuant to NRS 350.0155, facilities and services relating to public safety, education and health must be considered essential facilities and services, and all other facilities and services must be considered nonessential facilities and services.

Proposals Not Affecting Tax Rate: If a proposal would not result in a combined property tax rate in any of the overlapping entities within the county which exceeds the specified percentage (including revenue backed general obligations authorized pursuant to NRS 350.020(3) and rollover bonds issued by school districts in accordance with NRS 350.020(4)), the DMC must consider, but is not limited to, the following criteria under NRS 350.015:

- If the proposal is to incur debt, the amount of debt outstanding on the part of the municipality proposing to incur debt.

- The effect of the tax levy required for debt service on the proposed debt or to repay an installment-purchase agreement with a term of more than 10 years, or of the proposed levy of a special elective tax, upon the ability of the municipality proposing to incur the general obligation debt, enter the installment-purchase agreement or levy the special elective tax and of other municipalities to raise revenue for operating purposes. Note: (1) when revenue backed general obligations are issued, no tax rate impact is expected when pledged revenues will at least equal the amount required in each year for the payment of interest and principal, without regard to any option reserved by the municipality for early redemption, as is required for issuance by NRS 350.020(3) and (2) when general obligation bonds of a school district are issued pursuant to NRS 350.020(4), no increase in the existing property tax levy for payment of the bonds is expected.

- The anticipated need for other incurrences of debt, installment-purchase agreements or levies of special elective taxes by the municipality proposing to incur the debt, enter the installment-purchase agreement or levy the special elective tax and other municipalities whose tax-levying powers overlap, as shown by the county or regional master plan, if any, and by other available information.

- The DMC need to not to evaluate priorities listed in NRS 350.0155(2).

Note: (1) when revenue backed general obligations are issued, no tax rate impact is expected when pledged revenues will at least equal the amount required in each year for the payment of interest and principal, without regard to any option reserved by the municipality for early redemption, as is required for issuance by NRS 350.020(3) and (2) when general obligation bonds of a school district are issued pursuant to NRS 350.020(4), no increase in the existing property tax levy for payment of the bonds is expected.