



JNA Consulting Group, LLC
Independent Registered Municipal Advisor

MEMORANDUM

DATE: March 28, 2023

TO: Washoe County Debt Management Commission

FROM: JNA Consulting Group, LLC

RE: \$15,000,000 City of Sparks, Nevada General Obligation (Limited Tax) Fire Station Bonds
(Additionally Secured by Pledge Revenues)

Attached is a copy of the financial information in support of the City of Sparks' request to issue general obligation bonds for fire protection projects. This information also serves as an update to the City's Capital Improvement Plan, Debt Management Policy and Statement of Current and Contemplated Debt which were previously filed to the Washoe County Debt Management Commission and the State Department of Taxation.

Please contact Marty Johnson at JNA Consulting Group, LLC if you have questions or need additional information.

Thank you for your assistance.

cc: Department of Taxation
Jeff Cronk
Ryan Henry
Dave Lucas
Martin Johnson
(all w/encl.)

**FINANCIAL INFORMATION PRESENTED
TO THE DEBT MANAGEMENT COMMISSION OF
WASHOE COUNTY, NEVADA**

IN SUPPORT OF THE PROPOSED

**\$15,000,000
City of Sparks, Nevada
General Obligation (Limited Tax)
Fire Station Bonds
(Additionally Secured by Pledged Revenues)
Series 2023**

EXECUTIVE SUMMARY

The City of Sparks, Nevada (the "City") is proposing to issue up to \$15,000,000 in General Obligation (Limited Tax) Fire Station Bonds (Additionally Secured by Pledged Revenues) (the "Proposed Bonds"). The City has \$7,922,277 of revenue-supported general obligation debt outstanding as of March 1, 2023. The City will pledge 15% of its Consolidated Tax Revenues (the "Pledged Revenues") for repayment of the Proposed Bonds. The City anticipates minimum debt service coverage of 3.20x's after issuing the Proposed bonds and therefore does not anticipate the Proposed Bonds will have an impact on the City's tax rate. The highest overlapping tax rate within the City for fiscal year 2022-23 is \$3.6600.

This document details how the Proposed Bonds fit within the criteria outlined in Nevada Revised Statutes ("NRS") 350.015. A summary follows:

1. Debt Limit (pg. 3) - After issuance of the Proposed Bonds, in excess of \$765,000,000 of debt limit will be remaining.
2. Impact on Property Tax (pg. 4) - Based on the debt service coverage provided by the Pledged Revenues, the City does not anticipate a need to increase its property tax rate.
3. Impact on Overlapping Tax Rate (pg. 7) - With no expected impact on the City's tax rate, there should be no impact on the ability of other overlapping governments tax rates as a result of the issuance of the Proposed Bonds.

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THE PROJECT

The City intends to use the proceeds of the Proposed Bonds to defray wholly or in part the cost to acquire, establish, construct, expand, improve and equip certain fire protection projects as set forth in NRS 268.688 and NRS 268.676, including, but not limited to, fire protection and fire-fighting facilities. The City currently anticipates the Proposed Bonds will fund the Fire Station #6 project.

CRITERIA FOR CONSIDERATION (NRS 350.015)

NRS 350.015 Criteria for approval or disapproval of certain proposals; requests for information; use of money received from sale of general obligation debt or from special elective tax.

1. In determining whether to approve, conditionally or provisionally approve, or disapprove a proposal to incur debt, to enter an installment-purchase agreement with a term of more than 10 years or to levy a special elective tax, the commission shall not, except as otherwise provided in paragraph (d) and NRS 350.0135, initiate a determination as to whether the proposed debt, installment-purchase agreement or special elective tax is sought to accomplish a public purpose or to satisfy a public need. The commission shall consider, but is not limited to, the following criteria:

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

(b) 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.

(c) 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.

(d) If the information set forth in paragraph (b) of subsection 4 of NRS 350.014 indicates 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, pursuant to subsection 1 of NRS 350.0155, of the limit provided in NRS 361.453:

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

(2) A comparison of that public need and other public needs that appear on the statements of current and contemplated general obligation debt and special elective taxes submitted pursuant to paragraphs (a) and (b) of subsection 1 of NRS 350.013 that may affect the combined property tax rate in any of the overlapping entities within the county.

2. The commission may make reasonable requests from a municipality for information relating to the criteria described in paragraphs (a) to (d), inclusive, of subsection 1. A municipality shall use its best efforts to comply with information requests from the commission in a timely manner.

3. If the commission approves the proposal, the amount received from the sale of the general obligation debt or from the special elective tax may be expended only for the purposes described in the proposal.

(Added to NRS by 1967, 1386; A 1977, 539; 1993, 2658; 1995, 770, 1959; 2001, 884, 2309)–
(Substituted in revision for NRS 350.0051)

DEBT LIMITATION AND OUTSTANDING GENERAL OBLIGATION INDEBTEDNESS

NRS 350.015.1(a) If the proposal is to incur debt, the amount of debt outstanding on the part of the municipality proposing to incur the debt.

Nevada Revised Statutes limit the total principal amount of general obligation debt the City may have outstanding to 20% of the City’s total assessed valuation including the redevelopment areas. The City’s limit for general obligation debt based on the Fiscal Year 2022-23 assessed valuation of \$3,941,988,097 (including the Sparks Redevelopment Agency #1 and Sparks Redevelopment Agency #2 in the amount of \$346,011,010) is \$788,399,619.

The tables on the following tables present the outstanding and proposed indebtedness of the City.

OUTSTANDING GENERAL OBLIGATION DEBT AND OTHER OBLIGATIONS
Sparks, Nevada
March 1, 2023

	Date Issued	Maturity Date	Original Amount	Amount Outstanding
GENERAL OBLIGATION DEBT				
<u>GENERAL OBLIGATION REVENUE BONDS ¹</u>				
Sewer Refunding (SRF) Bonds, Series 2016B	09/26/16	07/01/29	\$27,099,691	<u>\$7,922,277</u>
TOTAL GENERAL OBLIGATION DEBT				<u>\$7,922,277</u>
OTHER OBLIGATIONS				
<u>REVENUE BONDS</u>				
C-Tax Refunding Revenue Bonds, Series 2014	05/29/14	05/01/26	\$7,330,000	\$3,838,000
Senior Sales Tax Anticipation Bonds, Series 2019A	12/19/19	06/15/28	\$79,905,000	<u>61,485,000</u>
TOTAL				<u>\$65,323,000</u>
<u>SPECIAL ASSESSMENT BONDS</u>				
Local Improvement District #3 Refunding Bonds, Series 2016	12/22/16	09/01/27	\$13,498,290	<u>\$4,096,976</u>
TOTAL				<u>\$4,096,976</u>

¹ General obligation bonds additionally secured by pledged revenues; if revenues are insufficient, the City is obligated to pay the difference between such revenues and debt service requirements of the respective obligations. The property tax rate available to pay these bonds is limited to the \$3.64 statutory and the \$5.00 constitutional limits.

SOURCE: The City Finance Department, compiled by JNA Consulting Group, LLC

PROPOSED GENERAL OBLIGATION DEBT
As of March 1, 2023

Proposed Bonds	Issuance Date	Proposed Amount
Fire Station Bonds	Fall 2023	<u>\$15,000,000</u>
TOTAL		<u>\$15,000,000</u>

SOURCE: The City

As shown in the following table the City has sufficient capacity within its general obligation statutory debt limitation to issue the Proposed Bonds.

STATUTORY DEBT CAPACITY
City of Sparks, Nevada
March 1, 2023

City of Sparks Assessed Valuation	\$3,595,987,087
Redevelopment Agency #1 Assessed Valuation	157,765,795
Redevelopment Agency #2 Assessed Valuation	<u>188,245,215</u>
Total Assessed Valuation	\$3,941,998,097
General Obligation Debt Limit (20%)	\$788,399,619
Outstanding General Obligation Indebtedness	\$7,992,277
Plus: Proposed Bonds	<u>15,000,000</u>
Outstanding and Proposed General Obligation Indebtedness	\$22,992,277
Additional Statutory Debt Limitation	\$765,407,342

SOURCE: State of Nevada Department of Taxation and the City

PROPOSED BOND AFFORDABILITY AND TAX RATE IMPACT

NRS 350.015.1(b) 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.

The City will additionally secure the Proposed Bonds with the Pledged Revenues, which consist of fifteen percent of the City's Consolidated Tax revenues. The City currently has its 2014 Consolidated Tax Refunding Bonds outstanding (the "Senior Lien Bonds") which have a lien on the Pledged Revenues senior to that of the Proposed Bonds. The Senior Lien Bonds are secured solely by the Pledged Revenues and are not general obligations of the City. The City anticipates that the Pledged Revenues will be sufficient to repay the outstanding Senior Lien Bonds and the Proposed Bonds, and that the issuance of the Proposed Bonds should not have an impact on the overlapping tax rate within the City.

The tables on the following tables demonstrate proposed debt service and the City's ability to repay the Senior Lien Bonds and the Proposed Bonds with the Pledged Revenues.

OUTSTANDING AND PROPOSED DEBT SERVICE REQUIREMENTS
March 1, 2023

Fiscal Year Ending June 30	Outstanding Senior Lien Bonds			Proposed Bonds			Combined Debt Service
	Principal	Interest	Total	Principal	Interest ¹	Total	
2023 ²	\$918,000	\$118,594	\$1,036,594	\$0	\$0	\$0	\$1,036,594
2024	944,000	90,228	1,034,228	0	550,000	550,000	1,584,228
2025	973,000	61,058	1,034,058	0	825,000	825,000	1,859,058
2026	1,003,000	30,993	1,033,993	0	825,000	825,000	1,858,993
2027	0	0	0	555,000	825,000	1,380,000	1,380,000
2028	0	0	0	585,000	794,475	1,379,475	1,379,475
2029	0	0	0	620,000	762,300	1,382,300	1,382,300
2030	0	0	0	650,000	728,200	1,378,200	1,378,200
2031	0	0	0	690,000	692,450	1,382,450	1,382,450
2032	0	0	0	725,000	654,500	1,379,500	1,379,500
2033	0	0	0	765,000	614,625	1,379,625	1,379,625
2034	0	0	0	810,000	572,550	1,382,550	1,382,550
2035	0	0	0	855,000	528,000	1,383,000	1,383,000
2036	0	0	0	900,000	480,975	1,380,975	1,380,975
2037	0	0	0	950,000	431,475	1,381,475	1,381,475
2038	0	0	0	1,000,000	379,225	1,379,225	1,379,225
2039	0	0	0	1,055,000	324,225	1,379,225	1,379,225
2040	0	0	0	1,115,000	266,200	1,381,200	1,381,200
2041	0	0	0	1,175,000	204,578	1,379,875	1,379,875
2042	0	0	0	1,240,000	140,250	1,380,250	1,380,250
2043	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,310,000</u>	<u>72,050</u>	<u>1,382,050</u>	<u>1,382,050</u>
	\$3,838,000	\$300,873	\$3,102,279	\$15,000,000	\$10,671,375	\$25,671,375	\$28,773,654

¹ Interest rate estimated at 5.50%.

² Includes all payments due in Fiscal Year 2023.

SOURCE: The City, compiled by JNA Consulting Group, LLC

PLEDGED REVENUE AND SUFFICIENCY OF CONSOLIDATED TAX
City of Sparks, Nevada

	Fiscal Year			
	2020 (Audited)	2021 (Audited)	2022 (Audited)	2023 (Estimated)
PLEDGED REVENUES	\$4,225,767	\$5,175,167	\$5,703,934	\$5,955,000
Senior Lien Bonds ¹	\$1,036,780	\$1,037,886	\$1,038,157	\$1,036,594
Coverage	4.08	4.99	5.49	5.74
Proposed Debt Service ²	<u>0</u>	<u>0</u>	<u>0</u>	<u>825,000</u>
Combined Debt Service ²	\$0	\$1,037,886	\$1,038,157	\$1,861,594
COVERAGE ALL BONDS	4.08	4.98	5.49	3.20

¹ Payments due on the 2014 Senior Lien Bonds which mature in 2026.

² Represents debt service due in fiscal year 2025 which when combined with the payment on the 2014 Senior Lien Bonds results in maximum annual debt service paid from the Pledged Revenues. Once the 2014 Senior Lien Bonds mature in 2026, estimated annual debt service is approximately \$1,380,000.

SOURCE: City Finance Department, compiled by JNA Consulting Group, LLC

EFFECTS ON OTHER LOCAL GOVERNMENTS

NRS 350.015.1(c) 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 City anticipates the Pledged Revenues will be sufficient to pay the principal and interest on the Senior Lien Bonds and the Proposed Bonds when due. Therefore, the Proposed Bonds should not affect the ability of other political subdivisions to raise revenue for operating purposes or debt service requirements.

The statutory tax rate limit is \$3.64 per \$100 of assessed valuation (\$0.02 of State levied tax is not subject to the statutory limitation). For fiscal year 2022-23, the highest overlapping tax rate in Carson City is \$3.5700. The overlapping tax rates should not be affected by the issuance of the Proposed Bonds.

ADDITIONAL GENERAL OBLIGATION INDEBTEDNESS AND PROPOSED TAX LEVIES

NRS 350.015.1(d) If the information set forth in paragraph (b) of subsection 4 of NRS 350.014 indicates 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, pursuant to subsection 1 of NRS 350.0155, of the limit provided in NRS 361.453:

- (1) The public need to be served by the proceeds from the proposed debt or tax levy in accordance with the priorities established pursuant to subsection 2 of NRS 350.0155; and*
 - (2) A comparison of that public need and other public needs that appear on the statements of current and contemplated general obligation debt and special elective taxes submitted pursuant to paragraphs (a) and (b) of subsection 1 of NRS 350.013 that may affect the combined property tax rate in any of the overlapping entities within the county.*
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NRS requires local governments to file capital improvement plans, statements of current and contemplated debt, and debt management policies with the County Clerk. To the best of the City's knowledge, no capital improvement plans or debt management policies have been filed that identify any new voter-approved tax rates (overrides or bonds). The City has filed its required documents which include the projects to be funded by the Proposed Bonds. Local governments are required to submit a debt management policy and indebtedness report by August 1st of each year.

The City does not expect the issuance of the Proposed Bonds will result in an increase in the City's tax rate. Therefore, the issuance of the Proposed Bonds should not adversely impact overlapping entities in levying tax rates for bonds or overrides.

REQUIRED DOCUMENT SUBMISSION

Pursuant to NRS 350.013, the City has submitted the following documents to the Department of Taxation and the DMC:

- Statements of current and contemplated debt and retirement schedules,
- A written statement of the debt management policy of the City, and
- The City's Capital Improvement Plan, which includes the projects to be financed by the proceeds of the Proposed Bonds.

The City's Chief Financial Officer is:

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