



WASHOE COUNTY

Integrity Communication Service

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STAFF REPORT

BOARD MEETING DATE: July 12, 2022

DATE: Thursday, July 07, 2022

TO: Board of County Commissioners

FROM: Lori Cooke, Budget Manager
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THROUGH: Cathy Hill, Interim Chief Financial Officer and Comptroller
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SUBJECT: Recommendation to approve Washoe County's Debt Management Policy as of June 30, 2022 which includes (1) a discussion of the County's ability to afford existing general obligation debt, authorized future general obligation debt and proposed future general obligation debt; (2) a discussion of the County's capacity to incur authorized and proposed future general obligation debt without exceeding the applicable debt limit; (3) a discussion of the County's general obligation debt that is payable from property taxes per capita as compared with such debt of other municipalities in this State; (4) a discussion of the County's general obligation debt that is payable from property taxes as a percentage of assessed valuation of all taxable property within the boundaries of the municipality; (5) policy regarding the manner in which the County's expects to sell its debt; (6) a discussion of the County's sources of money projected to be available to pay existing general obligation debt, authorized future general obligation debt and proposed future general obligation debt; and (7) a discussion of the County's operational costs and revenue sources, for the ensuing 5 fiscal years, associated with each project included in its capital improvement plan if those costs and revenues are expected to affect the property tax rate; and direction to staff to submit to the Department of Taxation and the county debt management commission the policy or a written statement of the County's debt management policy on or before August 1 as required by NRS 350.013(1)(c). (All Commission Districts)

SUMMARY

State law (NRS 350.013) requires that "on or before August 1 of each year, the governing body of a municipality 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, shall submit to the Department of Taxation and the [debt management] commission ... a written statement of the debt management policy of the municipality." Therefore, staff is recommending that the Board of County Commissioners approve the attached debt management policy as of June 30, 2022.

AGENDA ITEM # _____

Washoe County Strategic Objective supported by this item: Fiscal Sustainability

PREVIOUS ACTION

The Board of County Commissioner has approved the County's Debt Management Policy annually. The most recent five years are listed below:

On July 20, 2021, the Board of County Commissioners approved the County's debt management policy as of June 30, 2021.

On July 14, 2020, the Board of County Commissioners approved the County's debt management policy as of June 30, 2020.

On July 9, 2019, the Board of County Commissioners approved the County's debt management policy as of June 30, 2019.

On July 10, 2018, the Board of County Commissioners approved the County's debt management policy as of June 30, 2018.

On July 25, 2017, the Board of County Commissioners approved the County's debt management policy as of June 30, 2017.

BACKGROUND

NRS 350.013(1)(c) requires that on or before August 1 of each year, the governing body of a municipality which either proposes to issue new debt or has outstanding debt to submit to the Department of Taxation and the county debt management commission a written statement of the debt management policy of the municipality. The policy must include:

1. A discussion of its ability to afford existing general obligation debt, authorized future general obligation debt and proposed future general obligation debt;
2. A discussion of its capacity to incur authorized and proposed future general obligation debt without exceeding the applicable debt limit;
3. A discussion of its general obligation debt that is payable from property taxes per capita as compared with such debt of other municipalities in this State;
4. A discussion of its general obligation debt that is payable from property taxes as a percentage of assessed valuation of all taxable property within the boundaries of the municipality;
5. Policy regarding the manner in which the municipality expects to sell its debt;
6. A discussion of its sources of money projected to be available to pay existing general obligation debt, authorized future general obligation debt and proposed future general obligation debt; and
7. A discussion of its operational costs and revenue sources, for the ensuing 5 fiscal years, associated with each project included in its capital improvement plan if those costs and revenues are expected to affect the property tax rate.

The attached policy, which was drafted with the assistance of the Comptroller's Office, Community Services Department and Zions Bank Public Finance, fulfills these requirements.

FISCAL IMPACT

There is no financial impact associated with the approval and filing of this Debt Management Policy. The policy itself cannot authorize the issuance of any new debt. State law specifies very specific steps for the authorization of debt including separate adoption by the Board of County Commissioners of a bond resolution and bond ordinance.

The County is significantly below its legal debt capacity limit and has strong coverage for its general obligation debt. In Fiscal Year 2022 (07-01-21 through 06-30-22), pursuant to NRS 350.500 through 350.720, the County:

- Issued Series 2021B Refunding Flood Control Bonds for \$11,500,000, which refunded (refinanced existing debt with no increase to outstanding principal or term) the Series 2006 Flood Control Bonds (paid via ¼ cent sales tax) to secure a fixed interest rate (true-interest cost) of 1.4582%. Net savings was estimated at \$116,249; however, savings are likely much higher due to the recent rise in interest rates. Further, the fixed interest rate protects against the risk of future interest rate increases associated with variable rate debt.
- Issued Series 2022 Sewer Bonds for \$27,000,000, (new authorized debt paid via Utilities Fund rates-not supported by tax revenues), completing the total authorized \$50,000,000 Clean Water State Revolving Fund (SRF) Loan bonds. Interest rate (true-interest cost) of 1.470%.
- Issued Series 2022A Refunding Bonds for \$14,130,000, which refunded (refinanced existing debt with no increase to outstanding principal or term) the Series 2012A and 2019 Bonds (paid via Ad Valorem revenue) to secure a reduced interest rate (true-interest cost) of 0.99707%. The associated net savings is \$1,131,186, or an average of \$141,398/year for the remaining term.
- Issued Series 2022B Refunding Bonds for \$10,735,000, which refunded (refinanced existing debt with no increase to outstanding principal or term) the Series 2012B Bonds (paid via Consolidated-Tax revenue) to secure a reduced interest rate (true-interest cost) of 0.74959%. Net savings of \$560,007, or an average of \$112,001/year for the remaining term.

RECOMMENDATION

It is recommended that the Board of County Commissioners approve Washoe County's Debt Management Policy as of June 30, 2022 which includes (1) a discussion of the County's ability to afford existing general obligation debt, authorized future general obligation debt and proposed future general obligation debt; (2) a discussion of the County's capacity to incur authorized and proposed future general obligation debt without exceeding the applicable debt limit; (3) a discussion of the County's general obligation debt that is payable from property taxes per capita as compared with such debt of other municipalities in this State; (4) a discussion of the County's general obligation debt that is payable from property taxes as a percentage of assessed valuation of all taxable property within the boundaries of the municipality; (5) policy regarding the manner in which the County's expects to sell its debt; (6) a discussion of the County's sources of money projected to be available to pay existing general obligation debt,

authorized future general obligation debt and proposed future general obligation debt; and (7) a discussion of the County's operational costs and revenue sources, for the ensuing 5 fiscal years, associated with each project included in its capital improvement plan if those costs and revenues are expected to affect the property tax rate; and direction to staff to submit to the Department of Taxation and the county debt management commission the policy or a written statement of the County's debt management policy on or before August 1 as required by NRS 350.013(1)(c).

If approved, staff will submit the adopted policy to the county debt management commission and Department of Taxation by August 1.

POSSIBLE MOTION

Should the Board agree with staff's recommendation, a possible motion would be: "Move to approve Washoe County's Debt Management Policy as of June 30, 2022 which includes (1) a discussion of the County's ability to afford existing general obligation debt, authorized future general obligation debt and proposed future general obligation debt; (2) a discussion of the County's capacity to incur authorized and proposed future general obligation debt without exceeding the applicable debt limit; (3) a discussion of the County's general obligation debt that is payable from property taxes per capita as compared with such debt of other municipalities in this State; (4) a discussion of the County's general obligation debt that is payable from property taxes as a percentage of assessed valuation of all taxable property within the boundaries of the municipality; (5) policy regarding the manner in which the County's expects to sell its debt; (6) a discussion of the County's sources of money projected to be available to pay existing general obligation debt, authorized future general obligation debt and proposed future general obligation debt; and (7) a discussion of the County's operational costs and revenue sources, for the ensuing 5 fiscal years, associated with each project included in its capital improvement plan if those costs and revenues are expected to affect the property tax rate; and direction to staff to submit to the Department of Taxation and the county debt management commission the policy or a written statement of the County's debt management policy on or before August 1 as required by NRS 350.013(1)(c)."