



WASHOE COUNTY

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STAFF REPORT

BOARD MEETING DATE: September 25, 2018

DATE: Wednesday, September 19, 2018

TO: Board of County Commissioners

FROM: Christine Vuletich, Assistant County Manager
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THROUGH: John Slaughter, County Manager
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SUBJECT: Approval of the engagement of Sherman & Howard L.L.C. for the provision of services for bond counsel and special counsel regarding disclosure for the Restructuring of the 2008 Car Rental Fee Revenue Bonds; Replacement of the Nevada Shared Radio System; General Obligation (Limited Tax) Sewer Bonds (State Revolving Fund); and Downtown Master Plan Project. (All Commission Districts.)

SUMMARY

Washoe County has a number of debt financing projects on the horizon. The proposed agreement would allow staff to work with Sherman & Howard L.L.C. on a possible Restructuring of the 2008 Car Rental Fee Revenue Bonds; Replacement of the Nevada Shared Radio System; the General Obligation (Limited Tax) Sewer Bonds (State Revolving Fund); and Downtown Master Plan Project. Sherman & Howard L.L.C. is a regional firm located in Reno, with a national practice of over 180 lawyers serving a broad range of clients, including individuals, privately held businesses, multi-national corporations and government entities. The County has had a long-standing and successful working relationship with Sherman & Howard L.L.C. and staff is recommending to continue that relationship by approval of this proposed agreement.

Washoe County Strategic Objective supported by this item: Stewardship of our Community

PREVIOUS ACTION

February 12, 2008 – The Board of County Commissioners approved Ordinances No. 1360, and No. 1354 authorizing the issuance of the Washoe County, Nevada, senior lien car rental fee revenue bonds (Minor League Baseball Stadium Project), Series 2008, and the Washoe County, Nevada, subordinate lien car rental fee revenue bonds (Minor League Baseball Stadium Project), Series 2008.

The Board of County Commissioners also subsequently approved the following bonds:

AGENDA ITEM # _____

Park and Library Refunding Bonds, Series 2011A

Building Refunding Bonds, Series 2011B

Various Purpose Refunding Bonds, Series 2012A

Refunding Bonds, Series 2012B

Sewer Bonds, Series 2015B

Medical Examiner Building Bonds, Series 2015

Public Safety Refunding Bonds, Series 2016B

Sales Tax Refunding Bonds, Series 2016A

BACKGROUND

The 2008 Car Rental Fee Revenue Bonds include two bond issuances, a senior lien bond issuance, and a subordinate lien bond issuance. As of July 30, 2018, the outstanding principal on the senior lien bonds was \$13,389,000. The outstanding principal on the subordinate lien bonds, which are capital appreciation bonds, was \$9,693,203, not including the accreted value.

The car rental bonds are secured solely by a levy of a 2% fee on gross charges for the rental of passenger vehicles in Washoe County. The senior bonds are variable rate bonds with a final maturity of December 1, 2027. The interest rate on the senior bonds is re-set every five years, collared between a minimum of 3% and a maximum of 8%. The last interest rate re-set occurred in December, 2017 with the rate re-setting from 3.00% to 3.56%. The subordinate bonds are capital appreciation bonds (CABs) with a final maturity date of December 1, 2057. The outstanding principal on the CABs accretes at 7% annually. Principal on the subordinate bonds is redeemed from excess revenues, when available.

In 2008, when the bonds were issued car rental fee revenues were projected to grow 3.00% annually. During the Great Recession car rental fee revenues dropped sharply and have fluctuated in recent years, but have not reached the levels projected in 2008. Revenues have been sufficient to pay the annual debt service on the senior bonds, and excess revenues were available in fiscal years 2010 and 2018 to pay down a small portion of the outstanding principal on the subordinate bonds. Unless the trend in car rental fee revenues changes and these revenues increase substantially, staff estimates that revenues could fall short of the amount required for debt service on the senior bonds by fiscal year 2022. A restructuring of these bonds would reduce the annual debt service requirements.

In addition, the issuance of debt will be required to replace the Nevada Shared Radio System, as the County's existing public safety radio system is at end of life and will be replaced with new P-25 technology. The proposed upgrade and expansion of the South Truckee Meadows Water Reclamation Facility will also require debt financing. Finally, the master planning process currently underway for the future down-town and court project will also require bond counsel services.

For these reasons, staff is recommending that the County enter into the proposed agreement with Sherman & Howard, L.L.C. for bond counsel and special disclosure counsel services. The District Attorney has reviewed the engagement document and

found that it is appropriate. By statute the District Attorney is the County's lawyer and must consent to the hiring of outside lawyers to represent the county. The deputies in the District Attorney's Office are not qualified to serve as bond counsel, and hiring outside lawyers for this purpose is necessary and appropriate. Washoe County has had a long and successful relationship with Sherman & Howard (previously Swendseid and Stern).

FISCAL IMPACT

There is no immediate fiscal impact as Bond counsel fees and expenses are primarily paid upon the issuance of bonds, out of bond proceeds, unless there is a substantial delay in completing the financing, in which case normal hourly rates would be charged. Fees for bond counsel services for the Restructuring of the Car Rental Fee Bonds under this agreement are estimated at a maximum of \$75,000, and disclosure counsel fees are estimated at a maximum of \$55,000, for a total maximum of \$130,000. Fees for the other Bonds will be determined by the amount of time spent and the hourly rate of charges on each series of bonds. The exact amounts of fees for any of these bond issuances will be brought back to the Board of County Commissioners for final approval as a component of the process required by statute for the issuance of debt.

RECOMMENDATION

It is recommended the Board of County Commissioners approve the engagement of Sherman & Howard L.L.C. for the provision of services for bond counsel and special counsel regarding disclosure for the Restructuring of the 2008 Car Rental Fee Revenue Bonds; Replacement of the Nevada Shared Radio System; General Obligation (Limited Tax) Sewer Bonds (State Revolving Fund); and Downtown Master Plan Project.

POSSIBLE MOTION

Should the Board agree with staff's recommendation, a possible motion would be:

"Move to approve the engagement of Sherman & Howard L.L.C. for the provision of services for bond counsel and special counsel regarding disclosure for the Restructuring of the 2008 Car Rental Fee Revenue Bonds; Replacement of the Nevada Shared Radio System; General Obligation (Limited Tax) Sewer Bonds (State Revolving Fund); and Downtown Master Plan Project."