

CARSON CITY DEBT MANAGEMENT COMMISSION

Minutes of the August 16, 2011 Meeting

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A regular meeting of the Carson City Debt Management Commission was scheduled for 1:45 p.m. on Tuesday, August 16, 2011 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Don Hataway
Vice Chairperson Mark Sattler
Commissioner John McKenna
Commissioner Steve Reynolds

STAFF: Nick Providenti, Finance Department Director
Randal Munn, Chief Deputy District Attorney
Kathleen King, Deputy Clerk / Recording Secretary

A. CALL TO ORDER AND DETERMINATION OF QUORUM - Vice Chairperson Hataway called the meeting to order. Roll was called; a quorum was present.

B. PUBLIC COMMENT - None.

C. POSSIBLE ACTION ON ELECTION OF COMMISSION CHAIR AND VICE CHAIR - Vice Chairperson Hataway entertained nominations for chair. A nomination was made, seconded, and carried to appoint Don Hataway as chair. Chairperson-elect Hataway entertained nominations for vice chair. A motion was made, seconded, and carried to appoint Mark Sattler as vice chair.

D. POSSIBLE ACTION ON APPROVAL OF MINUTES - February 22, 2011 - Chairperson Hataway entertained corrections to the minutes. When none were forthcoming, he entertained a motion to accept the minutes as presented. A motion was made, seconded, and carried to approve the minutes, as presented. Motion carried 4-0.

E. DISCUSSION AND POSSIBLE ACTION ON PROCESS TO APPOINT ONE CITIZEN AT LARGE TO THE COMMISSION, PURSUANT TO THE PROVISIONS OF NRS 350.0115(3) (1:46:01) - Chairperson Hataway introduced this item and, at his request, Mr. Providenti provided an overview of the provisions of NRS 350.0115(3), copies of which were included in the agenda materials. Mr. Providenti discussed the current commission membership and reviewed the method by which the Board of Supervisors advertises for vacancies on their advisory boards, commissions, and committees. In response to a question, he clarified that the Board of Supervisors does not appoint the Debt Management Commissioners. He inquired as to the commission's preference relative to recruiting a new commissioner. Chairperson Hataway suggested that the commission vacancy be advertised, and that applications be referred to the commission for action. Mr. Providenti suggested that the vacancy could be advertised in early January 2012, and that applications could be forwarded to the commission at the regular February meeting for the purposes of filling the vacancy. Mr. Munn advised that, pursuant to the statute, commission vacancies must be filled in the same manner as the original choice. The Board of Supervisors and School Board representatives to the Debt Management Commission have the responsibility of appointing the other three commissioners pursuant to the provisions of the statute. Chairperson Hataway entertained public comment; however, none was forthcoming.

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F. DISCUSSION AND POSSIBLE ACTION TO ADOPT A RESOLUTION CONCERNING THE SUBMISSION TO THE CARSON CITY DEBT MANAGEMENT COMMISSION OF A PROPOSAL TO ISSUE GENERAL OBLIGATION WATER BONDS (ADDITIONALLY SECURED BY PLEDGED REVENUES) AND GENERAL OBLIGATION SEWER BONDS (ADDITIONALLY SECURED BY PLEDGED REVENUES); CONCERNING ACTION TAKEN THEREON BY THE COMMISSION; AND APPROVING CERTAIN DETAILS IN CONNECTION THEREWITH (1:50:11) - Chairperson Hataway introduced this item, and John Peterson of JNA Consulting, reviewed the agenda materials. Mr. Providenti acknowledged that the agenda materials, dated August 1, 2011, were the most current.

Commissioner McKenna inquired as to the management benefits of 1.2 to 1.5 times coverage ratio “just in case something happens. ... water / sewer use, as proven to us over the last few months, ... is variable and people or rain storms may cause water use to drop significantly so that we don’t have the revenues coming in.” Mr. Providenti expressed a preference for 1.2 to 1.5 times coverage. “It’s just the political will to increase the rates. ... We’re asking for a five percent rate increase. If you wanted 1.2 to 1.5 times coverage, you’d have to have a 15 to 20 percent rate increase. ... on the financial side, it would be great to have that ... the more coverage the better, in my opinion.”

Commissioner Reynolds requested more information relative to the increase in operating revenues. Mr. Providenti acknowledged that the increase was due to the rate increase. He explained that rates were increased by 30 percent in FY 2011. “So we were anticipating actually getting a little bit more than that, but because ... we had wet years, we actually got less than we anticipated and a lot of it could have been for other reasons as well. 11.3 is the actual estimate based ... back in March, based on the first nine months of actual and then ... projecting for the next three months.” Mr. Providenti expressed the opinion that 11.3 is “pretty close to what we actually received in 2011. We originally thought we were going to get over \$12 million but because of the weather and other economic conditions, ... we didn’t receive that much.” Mr. Providenti acknowledged that the \$12.3 million projected for 2012 is realistic, “assuming that we get a five percent rate increase.” He advised that second reading of the ordinance is agendized for the September 1st Board of Supervisors meeting. He clarified, “if there’s not a rate increase that’s passed on second reading, then we can’t sell the bonds because we won’t have the coverage.”

Mr. Peterson continued reviewing the agenda materials relative to the sewer bonds. He advised of the anticipation that pledged revenues from the water system will be sufficient to pay the water bonds; pledged revenues from the sewer system will be sufficient to pay the sewer bonds. He further advised that “the City does not expect that 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 such as the School District or the State in levying tax rates for bonds or overrides.” Mr. Peterson referred to the appendices included in the agenda materials to support the presentation.

In response to an earlier question, Mr. Providenti advised that the purpose of Mr. Peterson’s presentation was to convey “that we believe ... we have enough coverage and that we’re not affecting any of the other districts’ ability to levy taxes.” (2:14:43) Bond Counsel Jennifer Stern explained that “the role of the Debt Management Commission ... differs depending upon whether or not there are bonds ... supported by tax rate versus bonds that are supported by revenue. And, here, these general obligation bonds are additionally secured by either water revenues or sewer revenues. So, your role with a general obligation revenue bond is to take a look at: does the principal amount of the bond, when added together, exceed the City’s debt

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limit? ... And the information in front of you says, 'No. There's plenty of debt limit available.' Also, you take a look at whether or not it affects the tax rate, and the information presented to you is that there are sufficient pledged revenues to support the water bonds. There are sufficient pledged revenues to support the sewer bonds and, therefore, it won't have an impact on the tax rate. In the future, if there were bonds presented to you that required tax rate for repayment, then you'd have to take a look [whether] we're within the 90th percentile of the overlapping tax rate which is \$3.64. And, if so, then you would have to weigh the public need of the bonds competing for the tax rate. And so, you would look at ... the essential services, public safety, health, education, and say, 'Which one should get the tax rate?' But that's not the case here. So you are not supposed to look at public need. That is the purview of the Board of Supervisors to determine [whether] we need improvements to water facilities, [whether] we need improvements to sewer facilities."

Chairperson Hataway clarified that the commission does not consider the appropriateness of the issues present. "That's up to the elected officials. What we do is exactly what you said." Commissioner McKenna inquired as to whether the commission has the authority to determine the appropriateness of the revenue projections of the City or simply has to accept them. Ms. Stern advised that additional information could be requested. She commended the presentations of the financial advisors and the City Finance Department Director, and expressed the opinion that the information upon which to make the commission's decision was available.

Chairperson Hataway noted that, in consideration of the reserved ten percent, the combined tax rate is "starting to bounce up against the 3.64. So there isn't a lot of room for the School District or the taxing entities to raise the property tax rates in the future." Mr. Peterson entertained additional questions relative to the presentation; however, none were forthcoming.

Chairperson Hataway entertained public comment and additional questions or comments of the commissioners. Commissioner McKenna reiterated a concern that the public understands the commission's function. "We're not a [commission] that is here to say yes or no on the bonds. We're a [commission] to see if the bonds fall within a certain criteria and, if they fall within that criteria, we have no rights or powers to tell the City not to issue the bonds. It becomes the City's problem. We're kind of just a watch dog to make sure that nothing oversteps the bounds of the statute and, if it does, then we have certain powers that are enumerated by law." He noted that the City is clearly within the statutory provisions and has done everything correctly.

In response to a question, Mr. Peterson explained that the figures included in the presentation "assume the rate increases that the City has put before the Board of Supervisors." If the rate increases are not approved, the bonds will not be issued. "The bonds can only be issued if we're able to show coverage above one times and, without the rate increase, that would not be possible."

Chairperson Hataway entertained a motion. **Commissioner McKenna moved to adopt a resolution concerning the submission to the Carson City Debt Management Commission of a proposal to issue general obligation water bonds, additionally secured by pledge revenues, and general obligation sewer bonds, additionally secured by pledged revenues, concerning actions taken thereon by the commission, and approving certain details in connection therewith. Vice Chairperson Sattler seconded the motion. Motion carried 4-0.**

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G. DISCUSSION AND POSSIBLE ACTION ON MUNICIPALITIES' ANNUAL REPORT, STATEMENT OF DEBT MANAGEMENT POLICY, PLAN FOR CAPITAL IMPROVEMENT, AND UPDATE OF INFORMATION, AS REQUIRED BY NRS 350.013, FOR THE CARSON WATER SUBCONSERVANCY DISTRICT, THE NEVADA COMMISSION TO RECONSTRUCT THE V&T RAILWAY, CARSON CITY, THE CARSON CITY AIRPORT, THE CARSON CITY SCHOOL DISTRICT, AND THE CARSON CITY CONVENTION AND VISITORS BUREAU (2:24:06) - Chairperson Hataway introduced this item and, in response to a question, Mr. Providenti advised that the Department of Taxation had not yet received the Commission to Reconstruct the V&T Railway's report. He advised that if the report is available for the February 2012 meeting, it will be agendaized for review. Chairperson Hataway provided an overview of the reports included in the agenda materials. In response to a question, Mr. Providenti was uncertain as to the reason the annual report from the Commission to Reconstruct the V&T Railway had not yet been submitted to the Department of Taxation.

Mr. Providenti reviewed the City's Debt Management Policy, which was included in the agenda materials. At Chairperson Hataway's request, Mr. Providenti agreed to ensure the same information is reflected in the City's and the financial consultants' reports in the future. In response to a question, Mr. Providenti advised that the "one-eighth cent sales tax numbers are short so, as of now, the Convention and Visitors Bureau has made up the difference in 2011. In 2012, we're probably going to be about \$100,000 short. So, we're either going to ask them to make up the difference or the general fund will have to make up the difference." Mr. Providenti responded to corresponding questions of clarification, and acknowledged that the City Center project is not being considered at this meeting. He reiterated that, based on discussions, "it is the City's intention not to issue debt for the City Center project; just ... have it as a lease."

Chairperson Hataway expressed appreciation for the effort invested in developing the annual report, including the capital improvement program. He suggested that "if the average citizen would review this, there's a tremendous amount of effort, on the part of the City, to maintain the City in a safe and healthy condition through all of the capital improvement ... projects that are anticipated." Mr. Providenti responded to questions of clarification relative to the annual report and the commission's purview.

Chairperson Hataway entertained public comments and, when none were forthcoming, a motion. **Commissioner Reynolds moved to accept the reports that have been presented and reviewed by the commission. Vice Chairperson Sattler seconded the motion. Motion carried 4-0.** Chairperson Hataway requested Mr. Providenti to encourage the Commission to Reconstruct the V&T Railway representatives to submit their annual report to the Department of Taxation, and to agendaize it for commission review during the February 2012 meeting.

H. DISCUSSION AND POSSIBLE ACTION TO SPECIFY PERCENTAGE OF LIMITATION ON TOTAL AD VALOREM TAX LEVY, AS REQUIRED PURSUANT TO NRS 350.0155 (2:41:15) - Chairperson Hataway introduced and provided an overview of this item. In response to a question, Mr. Providenti recommended maintaining the current percentage. Chairperson Hataway entertained public comment and, when none was forthcoming, a motion. **Commissioner Reynolds moved to continue the 10 percent reserve for the coming 12 months. Vice Chairperson Sattler seconded the motion. Motion carried 4-0.** Following further clarification of NRS 350.015(1)(d), **Commissioner Reynolds withdrew his previous motion. Commissioner Reynolds moved to continue the 90 percent for the coming year. Vice Chairperson Sattler seconded the motion. Motion carried 4-0.**

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I. DISCUSSION AND POSSIBLE ACTION TO ESTABLISH PRIORITIES AMONG ESSENTIAL AND NONESSENTIAL FACILITIES AND SERVICES, AS REQUIRED PURSUANT TO NRS 350.0155 (2:44:54) - Chairperson Hataway introduced this item, and provided historic information relative to previously established priorities, as follows: public safety, health, and education. He entertained suggested changes relative to essential services, and Mr. Providenti clarified that the commission has previously established public safety, health, and education as essential facilities and services. "And all others would be nonessential." Chairperson Hataway entertained public comment and, when none was forthcoming, a motion. **Vice Chairperson Sattler moved to continue to maintain public safety, health, and education as the three priorities. Commissioner Reynolds seconded the motion. Motion carried 4-0.**

J. DISCUSSION AND POSSIBLE ACTION TO DESIGNATE THE FEBRUARY 2012 MEETING DATE AND TIME (2:46:32) - Chairperson Hataway introduced this item. Following discussion, consensus of the commission was to designate Tuesday, February 14th at 1:45 as the next meeting date and time. Chairperson Hataway entertained public comment; however, none was forthcoming.

K. COMMISSIONER COMMENTS AND FUTURE AGENDA ITEMS - DISCUSSION ONLY (2:48:07) - Mr. Providenti acknowledged that the commission vacancy will be advertised and that the Board of Supervisors and School District liaisons to the commission will appoint the new commissioner at the February 2012 meeting.

L. PUBLIC COMMENT (2:56:04) - Mr. Providenti acknowledged an inquiry from Maurice White that the current water and sewer rates cover the operation of the water and sewer systems. In response to a question, Mr. Providenti advised that the water and sewer rates do not cover the proposed debt. He reiterated, "In order for us to issue new bonds, we would have to have the five percent rate increases."

M. ACTION ON ADJOURNMENT (2:57:39) - Vice Chairperson Sattler moved to adjourn the meeting at 2:57 p.m. Commissioner Reynolds seconded the motion. Motion carried 4-0.

The Minutes of the August 16, 2011 Carson City Debt Management Commission meeting are so approved this 21st day of February, 2012.

DON HATAWAY, Chair