

Summary: Amends the Washoe County Code by adding a new section establishing a County Bond Bank; providing procedures for the issuance of County General Obligation Bonds in order to fund the acquisition of bonds issued by a municipality wholly or partially within the county; providing the standards, policies and procedures for financing projects through the county bond bank; and providing other matters properly related thereto and providing the effective date hereof.

BILL NO. 1659

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE AMENDING THE WASHOE COUNTY CODE BY ADDING A NEW SECTION ESTABLISHING A COUNTY BOND BANK; PROVIDING PROCEDURES FOR THE ISSUANCE OF COUNTY GENERAL OBLIGATION BONDS IN ORDER TO FUND THE ACQUISITION OF BONDS ISSUED BY A MUNICIPALITY WHOLLY OR PARTIALLY WITHIN THE COUNTY; PROVIDING THE STANDARDS, POLICIES AND PROCEDURES FOR FINANCING PROJECTS THROUGH THE COUNTY BOND BANK; AND PROVIDING OTHER MATTERS PROPERLY RELATED THERETO AND PROVIDING THE EFFECTIVE DATE HEREOF.

WHEREAS, Washoe County, Nevada (the "County") is organized and existing under the laws of the State of Nevada; and

WHEREAS, the governing body of the County is the Board of County Commissioners (the "Board"); and

WHEREAS, pursuant to NRS §§244A.011 to 244A.065 (the "Bond Law") the County is authorized to issue bonds for the purposes of financing a municipal bond bank (the "County Bond Bank") to assist local governments in the County by funding "lending projects" as defined in §NRS 244A.0343; and

WHEREAS, Subsection 4 of NRS §244A.057 requires that before the County provides financing for a Lending Project, it must adopt an ordinance pursuant to subsection (3) of §244A.064; and

WHEREAS, subsection (3) of §244A.064 provides that the County may "provide by ordinance for its standards, policies and procedures for financing Lending Projects;" and

WHEREAS, the County intends the County Bond Bank use be limited to a specific type of Water Authority who is the primary water purveyor in Washoe County-Lending Project; and

WHEREAS, it is the purpose of this ordinance to provide such standards, policies and procedures.

Now, Therefore, THE BOARD OF COUNTY COMMISSIONERS OF THE COUNTY OF WASHOE DO HEREBY ORDAIN:

Section 1. Chapter 15 of the Washoe County Code is hereby amended by adding thereto the provisions set fourth in Section 2, of this ordinance, which shall read as follows:

A-12/13/11  
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Section 2. Washoe County Bond Bank Ordinance.

15.600. Definitions. Except where the context otherwise requires, for the purposes of sections 15.600 to 15.670, inclusive, have the meanings respectively ascribed to them.

1. "Acquisition" defined. "Acquisition" or "acquire" means the opening, laying out, establishment, purchase, construction, securing, installation, reconstruction, lease, gift, grant from the United States of America, any agency, instrumentality or corporation thereof, any public body or any person, endowment, bequest, devise, condemnation, transfer, assignment, option to purchase, other contract, or other acquirement (or any combination thereof) of any project, or an interest therein, herein authorized

2. "Board" defined. "Board" means the Board of County Commissioners.

3. "County" defined. "County" means Washoe County.

4. "Cost of the Project" defined. "Cost of Project" means all or any part designated by the Board of the cost of any project, or interest therein, being acquired, which cost, at the option of the Board may include all or any part of the incidental costs pertaining to the Project, including without limitation:

(a) Preliminary expenses advanced by the County from funds available for use therefor in the making of surveys, preliminary plans, estimates of costs and other preliminaries;

(b) The costs of appraising, printing, contracting for the services of engineers, architects, financial consultants, attorneys at law, clerical help, other agents or employees;

(c) The costs of making, publishing, posting, mailing and otherwise giving any notice in connection with the Project, the taking of options, the issuance of bonds and other securities, the capitalization with bond proceeds of any sale discount and of interest on the bonds for any period not exceeding 1 year and the filing or recordation of instruments; and

(d) All other expenses necessary or desirable and appertaining to any project, as estimated or otherwise ascertained by the Board.

5. "Equipment" and "equip" defined. "Equipment" or "equip" means the furnishing of all necessary or desirable, related or appurtenant, facilities, or any combination thereof, appertaining to any project, or interest therein, herein authorized.

6. "Improvement" and "improve" defined. "Improvement" or "improve" means the extension, widening, lengthening, betterment, alteration, reconstruction, repair or other Improvement, or any combination thereof, of any project, or an interest therein, herein authorized.

7. "Infrastructure Project" defined. "Infrastructure Project" means a capital improvement for a water system that the Municipality is authorized to improve, acquire or equip pursuant to a law other than the County Bond Law.

8. "Lending Project" defined. "Lending Project" means the acquisition of municipal securities issued by a water authority located wholly or partially within the county acquiring the municipal securities for one or more infrastructure projects which consist of capital improvements for a water system or for the refunding of municipal securities issued on or after October 1, 1999, for one or more infrastructure projects which consist of capital improvements for a water system or any combination thereof.

9. "Municipal Securities" defined. "Municipal Securities" means notes, warrants, interim debentures, bonds and temporary bonds issued by a Municipality pursuant to a law other than the

County Bond Law which are revenue obligations of a Water Authority that are payable from revenues of the water system of the Water Authority.

10. "Municipality" defined. "Municipality" means a Water Authority organized as a political subdivision created by cooperative agreement.

11. "Revenues of a Lending Project" defined. "Revenues of a Lending Project" means any money, except the proceeds of taxes levied by the County, received by the County pursuant to any Lending Project, including, without limitation:

(a) Money derived from any source of revenue connected with a Lending Project, including, without limitation, payments by a Municipality of the principal, interest or redemption premium of any Municipal Security, and any other income derived from the operation or administration of a Lending Project or the sale or other disposal of Municipal Securities or other assets acquired in connection with a Lending Project;

(b) Loans, grants or contributions to the County from the Federal Government for the payment of the principal, interest and redemption premiums of County securities;

(c) Fees or charges paid by a Municipality in connection with a Lending Project; and

(d) Money derived from the investment and reinvestment of the money described in paragraph (a), (b) or (c).

12. "Water Authority" defined. "Water Authority" means any entity that is created by cooperative agreement pursuant to chapter 277 of NRS, the functions of which include the Acquisition, construction, Improvement, operation and maintenance of a water system.

15.620. Debt Limit for the Bond Bank. The County shall not become indebted by the issuance of general obligation indebtedness to fund the cost of Lending Projects in an amount exceeding 15 percent of the total assessed valuation of the taxable property of the County as of the time of issuance of any such general obligation indebtedness.

15.630. Payment of bonds additionally secured by pledge of certain revenues. The payment of any bonds issued hereunder may be additionally secured by a pledge of all or part of any revenues derived from:

1. The operation of any project herein authorized and from any other income-producing project of the County; or

2. Any license or other excise taxes levied for revenue and available for such a pledge, or any combination thereof.

15.640. General Powers. In connection with any Lending Project, the County may:

1. Require additional security or credit enhancement for payment of Municipal Securities acquired as it deems prudent.

2. Make contracts and execute all necessary or desirable instruments or documents not in conflict with the requirements of the County Bond Law.

3. Acquire and hold Municipal Securities and execute the rights of the holder of those Municipal Securities.

4. Sell or otherwise dispose of Municipal Securities unless the County is limited by any agreement that is related to those Securities.

5. Refund any Municipal Securities issued after October 1, 1999 for one or more Infrastructure Projects if the County and the Municipality agree to the disposition of any savings resulting from the refunding.

6. Require payment by a Municipality that participates in a Lending Project of the fees and expenses of the County in connection with the Lending Project.

7. Secure the payment of County general obligations issued for a Lending Project with a pledge of revenues of the Lending Project. If the Municipality are formally pledged to the County bonds issued to finance a Lending Project, the Board may treat the revenues of the Lending Project financed by an issue of County general obligation bonds as pledged revenues pursuant to subsection (3) of NRS 350.020.

15.650. Policies.

1. It is the policy of the County to assist in financing any Lending Project in which the County can provide to a Municipality a lower rate of interest or more efficient borrowing, provided that the project does not expose the County to any significant financial risk, as determined by the Board in approving the Lending Project. It is further the policy of the Board to consider any Lending Project requested by a Municipality and to direct staff to use its best effort to provide timely, helpful and material assistance to any Municipality in the County that seeks financing through the County Bond Bank. The County is not by this policy statement or any other act, however, committing to the funding of any particular Lending Project.

2. It is the County's policy that all County general obligations issued for a Lending Project shall pledge the revenues received from the Lending Project and that those bonds shall be issued as general obligation bonds additionally secured with pledged revenues pursuant to the procedures established in subsection (3) of NRS §350.020, as further described in subsection (8) of NRS §244A.064.

3. It is the County's policy that the County Bond Bank shall be self sufficient in that the revenues of Lending Projects shall be sufficient to pay other expenses of the County Bond Bank, including debt service on County bonds issued to fund the Lending Project.

15.660. Procedures for Funding Lending Project. Lending Projects shall be funded in accordance with the following procedures:

1. Funding for Lending Project shall be initiated by the Municipality requesting financing for a Lending Project through the Washoe County Department of Finance. The Municipality shall furnish to the Department of Finance such information as the County's Director of Finance requests concerning the Lending Project, the Infrastructure Project to be financed thereby, the proposed Municipal Securities, and the security for those Municipality Securities. If the Director of Finance determines that the Lending Project is one which the County should fund in accordance with the policies, procedures and standards in sections 15.600 to 15.670, the Director of Finance shall forward a recommendation to the Board to that effect.

2. Upon receipt of the recommendation from the Director of Finance, the Board shall proceed to consider the Lending Project. If the Board agrees to fund the Lending Project, it shall commence the procedures for issuing County general obligation bonds by adopting a debt management request resolution, or if that has already been adopted, by adopting the appropriate resolution or ordinance to continue the bond process under Nevada Revised Statutes.

3. The County shall then follow the steps required under Nevada Revised Statutes to issue general obligation bonds, including without limitation, adoption of a resolution of intent pursuant to subsection (3) of NRS §350.020, publication of a notice of intent to issue bonds and notices of hearing in accordance with that section of Nevada Revised Statutes.

4. If after all preliminary procedures have been followed, the Municipality and the Director of Finance agree to a financing, the Municipality shall provide to the Director of Finance any limitation on the terms of the bonds which, if exceeded, would cause the Municipality to determine not to proceed with the financing. The Director of Finance shall then schedule a sale of the bonds. Prior to or after the time of sale of the bonds, the Board shall consider and may adopt a bond ordinance authorizing the final issuance of the bonds upon the terms approved by the Director of Finance.

5. If the County adopts the bond ordinance, and the bonds are sold, on the date of delivery of the bonds, the County shall deliver the proceeds thereof, less any amount retained by County for expenses in connection with the Lending Project, to the Municipality that is participating in the Lending Project in exchange for the Municipal Securities to be delivered by the Municipality. The Municipal Securities must be accompanied by an opinion of bond counsel acceptable to the County in the form and substance acceptable to the Director of Finance, to the effect that the Municipal Securities are valid and binding obligations of the Municipalities and, unless waived by the Director of Finance, that interest on the Municipal Security is excluded from gross taxable income and alternative minimum taxable income for federal income tax purposes.

6. Until the delivery of the County bonds and exchange thereof for the Municipal Securities, the County is not committed to funding the Lending Project, and the County may, at anytime prior to such delivery, determine not to fund the Lending Project, for any reason.

7. Payments made by the Municipality on the Municipal Securities must be sufficient to pay the debt service on the County's bonds and must be scheduled to be received in sufficient time to make those debt service payments. The County will require that the Municipality make payments on its Municipal Securities while the County is the holder of those Municipal Securities at the time the corresponding debt service funding requirement is due on the County bonds, as is agreed upon by the Director of Finance and the Municipality. All payments made by the Municipality shall be made by wire transfer in immediately available funds. Any payments made after the agreed upon due date shall be accompanied by interest on the amount not paid on time at a rate per annum equal to the sum of the prime rate as quoted in the Wall Street Journal, or average thereof, if more than one Prime Rate is quoted, plus 1%.

8. The Director of Finance shall require that the Municipality pay directly, or reimburse the County for paying, all of the County's out of pocket expenses in connection with the Lending Project, or provide that the County may retain sufficient monies to pay the reimbursed out-of-pocket expenses from proceeds of County bonds before delivering the proceeds thereof to the Municipality or a combination thereof. In addition the Municipality shall pay to the County or provide that the County may retain from the proceeds of the County bonds, an administrative fee to cover County expenses that are not reimbursed out-of-pocket expenses. The amount of this administrative fee shall be determined by mutual agreement of the Director of Finance and an appropriate representative of the Municipality.

15.670. Standards. Revenue obligations as discussed in the definition of Municipal Securities generally will be accepted for the County Bond Bank if the Director of Finance determines that:

1. That there is a rate maintenance covenant contained in the Municipal Securities to be delivered by the Municipality pursuant to which the Municipality is required to establish and maintain rates and charges that will be sufficient to make payments on the Municipal Securities;
2. That the revenue obligations do not otherwise pose significant credit risks to the County.
3. Whether any additional security should be required from the Municipality;
4. Whether the size of the borrowing is appropriate based on the credit worthiness of the Municipality; and
5. Whether the County should proceed with the financing.

Section 3. All action heretofore taken by the County or its officers to effectuate the provisions of the Ordinance are hereby ratified, approved and confirmed. The officers of the County be and hereby are authorized and directed to take all action necessary or appropriate to effectuate the provisions of this Ordinance including without limitation, the foregoing preparation of all necessary documents, application forms, and other items necessary and desirable in connection with financing of Lending Projects under the County Bond Bank established by this Ordinance.

Section 4. If any section of this Ordinance or any portion thereof is for any reason held to be invalid, unenforceable or unconstitutional by a court of competent jurisdiction, such holdings shall not affect the remaining provisions of this Ordinance.

This ordinance was proposed on the 8<sup>th</sup> day of November, 2011 by Commissioner:

This ordinance was passed on the 13<sup>th</sup> day of December, 2011.

Those voting "aye" were:

Those voting "nay" were:

Those absent were:

Those abstaining were:

This ordinance shall be in force and effect immediately upon the date of the second publication of such ordinance are required by NRS 244.100.

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John Breternitz, Chairman  
Washoe County Commission

ATTEST

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Amy Harvey  
County Clerk



# WASHOE COUNTY

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CM/ACM \_\_\_\_\_  
Finance JS  
DA \_\_\_\_\_  
Risk Mgt N/A  
HR N/A  
Other N/A

## STAFF REPORT

BOARD MEETING DATE: November 8, 2011

**DATE:** October 25, 2011

**TO:** Board of County Commissioners

**FROM:** John Sherman, Finance Director

**THROUGH:** Katy Simon, County Manager

**SUBJECT:** Introduction and First Reading of an Ordinance Amending the Washoe County Code by adding a new section establishing a County Bond Bank; providing procedures for the issuance of County General Obligation Bonds in order to fund the acquisition of bonds issued by a municipality wholly or partially within the County (defined in the ordinance as the Truckee Meadows Water Authority); providing the standards, policies and procedures for financing projects through the County Bond Bank; and providing other matters properly related thereto and providing the effective date hereof. (All Commission Districts)

### SUMMARY

The focus of the proposed County Bond Bank will be to facilitate the merger of the water business of the Department of Water Resources and the Truckee Meadows Water Authority by refinancing some of the existing Department of Water Resources debt. Nevada Revised Statutes (NRS) Chapter 244A authorizes the County to issue bonds for the purposes of financing a municipal bond bank, known as the County Bond Bank, to assist local governments in the County by funding lending projects. The statutes also require that before the County provides financing for a lending project, it must adopt a County Bond Bank ordinance and may provide in the ordinance the County's standards, policies and procedures for financing lending projects. Finally, financing through the County Bond Bank would require approval from the County Commission in a public hearing as well as approval of the Debt Management Commission in a public hearing.

*Strategic Objective supported by this item:* Regional Collaboration; Regional Prosperity

*Strategic Outcome supported by this item:* Increase intergovernmental trust and cooperation; Washoe County identified as an easy and desirable place to do business.

### PREVIOUS ACTION

None

AGENDA ITEM # \_\_\_\_\_

## **BACKGROUND**

The County Department of Water Resources (DWR) issued approximately \$65.0 million in General Obligation Revenue Bonds in 2005 to construct a variety of water and sewer projects namely the Southwest Truckee Meadows Water Treatment Plant. Due to local economic conditions the construction of this plant was terminated and the County partially defeased \$36.5 million of the bonds that were originally issued, leaving \$26.1 million to be defeased at a later date. An important element necessary to complete the merger between the DWR Water Division and TMWA is the transfer of the pledged water revenues and water related assets of the DWR Water Division to TMWA. In order to make these transfers the remaining outstanding 2005 Washoe County General Obligation Revenue bonds must be defeased.

Public Financial Management (PFM) acting as financial advisors to Washoe County and TMWA was asked to prepare two defeasance analyses relating to the \$26.1 million in outstanding 2005 bonds. One analysis assumes TMWA would issue refunding bonds as water revenue backed bonds and the other analysis assumes issuing defeasance bonds through the Washoe County Bond Bank, which would provide general obligation backing additionally secured by pledged revenues. If TMWA was to issue bonds it would require an issuance of approximately \$33.0 million in refunding bonds. If refunding bonds were issued through the bond bank the amount to issue would be \$30.7 million, approximately \$2.3 million less than TMWA as the issuer. The primary reason for the difference is that TMWA, not having the general obligation pledge, is required to have a debt service reserve fund to protect bondholders, which is not a requirement if the refunding bonds are issued through the Bond Bank using the general obligation pledge in addition to the revenue pledge from water sales. As discussed with TMWA the Bond Bank will require a specific minimum coverage ratio and rate maintenance requirement to protect the County taxpayers but that will not impact the economics of the transaction. An additional benefit, if TMWA issued the bonds total principal and interest payments over the life of the bonds would be \$51.4 million while total principal and interest payments using the Bond Bank would be \$49.8 million resulting in net savings of \$1.6 million for water ratepayers over the life of the refunding bonds.

NRS 244A.011 to 244A.065 authorizes the County to issue bonds for the purposes of financing a municipal bond bank, the county bond bank, to assist local governments in the County by funding lending projects. The statute also requires that before the County provides financing for a project, it must adopt a County Bond Bank ordinance and may provide in that ordinance for the County's standards, policies and procedures for financing projects.

Under the proposed County Bond Bank a municipality, in this case the proposed ordinance defines a municipality only as the Truckee Meadows Water Authority, would issue securities such as notes, warrants, interim debentures, or bonds to the County Bond Bank. The County Bond Bank would concurrently issue securities in the capital market, the proceeds of which would be used to purchase the securities of the municipality issued to the Bond Bank. This is called a lending project. The purpose of this transaction is to provide the municipality access to credit at a lower interest rate or achieve a more efficient borrowing that would result due to the County's higher credit rating and general obligation pledge thereby reducing the interest rate and cost that would otherwise be required.

Important features of the proposed County Bond Bank ordinance includes the policies, procedures and standards that will need to be followed. The key features include:

- The lending project does not expose the County to any significant financial risk, as determined by the Board in approving the lending project.
- The County is not by its policy statements or any other act committing to the funding of any particular lending project.
- The County Bond Bank shall be self sufficient in that the revenues of lending projects shall be sufficient to pay other expenses of the County Bond Bank, including debt service on County bonds issued through the Bond Bank.
- A Municipality can request financing for a lending project through the Washoe County Department of Finance, but only the Board can agree to fund the lending project.
- Once the Board agrees to fund the lending project the County must then follow the steps required under Nevada Revised Statutes to issue general obligation bonds, including adoption of a resolution of intent, publication of a notice of intent to issue bonds, notices of public hearings, and request to the Debt Management Commission, whose approval must be received.
- Payments made to the County from the municipality must be sufficient to pay the debt service on the County's bonds and must be scheduled to be received in sufficient time to make those debt service payments.
- Any payments made after the agreed upon due date shall be accompanied by interest on the amount not paid on time at a rate per annum equal to the sum of the prime rate plus 1%.
- The municipality will pay all of the County's out-of-pocket expenses in connection with the lending project, and pay an administrative fee to cover County expenses that are not reimbursed out-of-pocket expenses. The amount of this administrative fee shall be determined by mutual agreement of the Director of Finance and an appropriate representative of the Municipality.

Finally, the State bond bank law limits the total amount of debt by the County Bond Bank to an amount not exceeding 15 percent of the total assessed valuation of the taxable property of the County. For example the County Bond Bank debt limit would allow for 15% of the FY 10/11 \$13,976,020,061 Assessed Value or \$2,096,403,009 in total debt to be issued. This is separate from the County's current general obligation debt limit of 10% of total assessed value. Under the current 10% limit the FY 10/11 Assessed Value of \$13,976,020,061 equals a debt limit of \$1,397,602,006, then subtracting the outstanding general obligation indebtedness of \$309,522,589 provides for additional debt of \$1,088,079,417.

### **FISCAL IMPACT**

The proposed ordinance will have no fiscal impact on the County.

**RECOMMENDATION**

It is recommended that the Board introduce and hold the first reading of an Ordinance amending the Washoe County Code by adding a new section establishing a County Bond Bank; providing procedures for the issuance of County General Obligation Bonds in order to fund the acquisition of bonds issued by a municipality wholly or partially within the County (defined in the ordinance as the Truckee Meadows Water Authority); providing the standards, policies and procedures for financing projects through the County Bond Bank; and providing other matters properly related thereto and providing the effective date hereof.

**POSSIBLE MOTION**

Should the Board agree with staff's recommendation, a possible motion could be: "Move to approve the introduction and first reading of the an Ordinance amending the Washoe County Code by adding a new section establishing a County Bond Bank; providing procedures for the issuance of County General Obligation Bonds in order to fund the acquisition of bonds issued by a municipality wholly or partially within the County (defined in the ordinance as the Truckee Meadows Water Authority); providing the standards, policies and procedures for financing projects through the County Bond Bank; and providing other matters properly related thereto and providing the effective date hereof.