

Douglas County

Debt Management Policy Fiscal Year 2021

Prepared July 2020



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EXECUTIVE SUMMARY

This Debt Management Policy was created to fulfill the requirements of NRS 350.013. Douglas County (the “County”) is generally limited in the bonds it can issue by its statutory debt limit, the \$3.64 limit on overlapping tax rates, and the amount of revenue available to pay debt service on bonds. This Debt Management Policy discusses the outstanding and proposed debt of the County, its ability to afford such debt, and other items relating to the issuance of bonds by the County.

Outstanding General Obligation Debt

As of June 30, 2020, the County has \$23,662,149 of general obligation debt outstanding comprised of \$3,075,000 of general obligation medium-term bonds and \$20,587,149 of general obligation revenue bonds.

Outstanding Other Debt

The County also has \$11,235,000 of revenue bonds outstanding which are secured by specific pledged revenues and are not general obligation debt and \$292,482 of other debts that are not general obligation debt and are paid from the general revenues of the County.

Proposed General Obligation Debt

The County reserves the right to issue additional debt any time legal requirements are met.

Most of the County’s debt is paid from sources other than property taxes with approximately 59% of the County’s general obligation debt paid from water and sewer system revenues. The County presently has approximately \$317,957,000 of statutory debt limit available.

This policy contains information regarding the general obligation debt and capital improvement plans of the County and its component units, the Town of Gardnerville, Town of Minden, Town of Genoa, and the Douglas County Redevelopment Agency.

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Affordability of Existing, Authorized, and Proposed General Obligation Debt

NRS 350.013 1.(c)(1) A discussion of its ability to afford existing general obligation debt, authorized future general obligation debt and proposed future general obligation debt;

NRS 350.013 1.(c)(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;

Outstanding, Authorized, and Proposed Debt

As of June 30, 2020, the County has \$20,587,149 of outstanding general obligation revenue supported debt and \$3,075,000 of general obligation medium-term debt outstanding. The County has \$11,235,000 of revenue bonds outstanding. The following tables list the County's outstanding debt.

Outstanding Debt
June 30, 2020

Issue	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
<u>GENERAL OBLIGATION DEBT</u>				
<u>GENERAL OBLIGATION MEDIUM-TERM BONDS</u>				
Community Center Bonds	03/19/13	03/01/23	7,800,000	<u>\$3,075,000</u>
TOTAL G.O. MEDIUM-TERM BONDS				\$3,075,000
<u>GENERAL OBLIGATION REVENUE BONDS</u>				
<i>Consolidated Tax Secured Bonds</i>				
Community Center Bonds	08/01/12	08/01/32	6,750,000	6,450,000
<i>Water Systems Revenue Secured Bonds</i>				
SRF Water Bond, Series 2005D	12/30/05	07/01/25	674,542	256,402
SRF Water Bond, Series 2009	03/06/09	07/01/28	2,365,037	1,427,362
SRF Water Bond, Series 2010	02/11/10	01/01/30	1,150,000	681,259
Water Bonds, Series 2010A (RZEDB)	09/01/10	12/01/29	1,570,000	1,570,000
Water Imp. & Ref. Bonds, Series 2010B	09/01/10	12/01/20	3,970,000	760,000
SRF Water Bond, Series 2011A	04/29/11	01/01/31	1,000,000	677,352
Water Refunding Bonds, Series 2012A	03/22/12	11/01/24	2,485,000	1,055,000
SRF Water Bond, Series 2012	07/13/12	07/01/32	1,300,000	803,398
SRF Water Improv. Bond, Series 2014	10/29/14	07/01/34	1,000,000	769,690

- table continued on following page -

Issue	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
<i>Sewer System Revenue Secured Bonds</i>				
Sewer Refunding Bonds, Series 2010C	09/01/10	12/01/20	2,420,000	310,000
Sewer Refunding Bonds, Series 2014	05/22/14	08/01/24	2,010,000	1,058,000
SRF Sewer Loan, Series 2016	05/04/16	07/01/36	5,550,000	4,768,686 ¹
TOTAL GENERAL OBLIGATION REVENUE BONDS				\$20,587,149
TOTAL GENERAL OBLIGATION DEBT OUTSTANDING				\$23,662,149
<u>REVENUE BONDS</u>				
Airport Revenue Bonds	12/02/14	06/01/29	\$1,075,000	\$740,000
Highway Revenue Bonds, Series 2016A	11/30/16	11/01/36	11,635,000	<u>10,495,000</u>
TOTAL REVENUE BOND DEBT				\$11,235,000
<u>OTHER DEBTS</u>				
Capital Lease-Vac Con Truck	07/15/14	10/15/20	\$320,000	\$48,606
Capital Lease-911 Emergency Console	10/27/16	10/27/23	<u>410,000</u>	<u>243,876</u>
TOTAL OTHER DEBT				\$292,482
GRAND TOTAL ALL OUTSTANDING DEBT				\$35,189,631

¹ The County has authorization for \$5,550,000, it has drawn \$4,920,576 as of June 30, 2020. Prior to June 30, 2020, the County repaid \$151,890 of principal.

SOURCE: Douglas County 2021 Final Budget; updated for loan draws after adoption of the Final Budget

The following sections demonstrate the ability of the County to make principal and interest payments on its outstanding bonds.

General Obligation Bonds

The County currently has no outstanding general obligation debt paid by the levy of a specific property tax.

General Obligation Medium-Term Bonds

The County currently has \$3,075,000 of outstanding medium-term debt secured by all legally available resources. The County pays principal and interest on the bonds from specific revenue sources. Debt service payments on these bonds are made from revenues received from the levy of a \$.05 tax override (the "Capital Projects Tax") and resources in the Room Tax Fund, if necessary. The following table details the remaining payments on the bonds.

**General Obligation Medium-Term Bonds
Outstanding Debt Service
June 30, 2020**

Fiscal Year	Outstanding Bonds		Total Debt Service
	Principal	Interest	
2021	\$1,005,000	\$63,038	\$1,068,038
2022	1,025,000	42,435	1,067,435
2023	<u>1,045,000</u>	<u>21,423</u>	<u>1,066,423</u>
TOTAL	\$3,075,000	\$126,895	\$3,201,895

SOURCE: Douglas County Finance Division

While the revenues shown are not pledged to the outstanding bonds, the following table demonstrates the sufficiency of these revenues to pay the outstanding bonds.

**General Obligation Medium-Term Bonds
Debt Service Coverage**

	2019 Audited	2020 Estimated	2021 Budgeted
Capital Projects Tax Fund Revenues	\$1,311,366	\$1,471,829	\$1,550,939
Room Tax Fund Revenues	<u>10,808,394</u>	<u>9,804,511</u>	<u>6,907,703</u>
Total Revenues	\$12,119,760	\$11,276,340	\$8,458,642
Annual Debt Service	\$1,067,385	\$1,068,013	\$1,068,038
Coverage	11.35	10.56	7.92

SOURCE: Douglas County Finance Division

General Obligation Consolidated Tax Secured Bonds

The County currently has \$6,450,000 of outstanding general obligation debt secured by a portion of the County's Consolidated Tax. The County is allowed to pledge 15% of the revenues collected by the County from the Consolidated Tax. The following table details the remaining payments on the bonds.

**Consolidated Tax Secured Bonds
Outstanding Debt Service
June 30, 2020**

Fiscal Year Ending June 30	Principal	Interest	Annual Debt Service
2021	\$0	\$197,194	\$197,194
2022	0	197,194	197,194
2023	0	197,194	197,194
2024	545,000	189,019	734,019
2025	565,000	172,369	737,369
2026	585,000	155,119	740,119
2027	605,000	137,269	742,269
2028	630,000	118,744	748,744
2029	650,000	99,544	749,544
2030	675,000	79,669	754,669
2031	705,000	58,528	763,528
2032	730,000	36,106	766,106
2033	<u>760,000</u>	<u>12,350</u>	<u>772,350</u>
TOTAL	\$6,450,000	\$1,650,297	\$8,100,297

SOURCE: Douglas County Finance Division

The following table demonstrates the debt service coverage for the bonds.

**Consolidated Tax Secured Bonds
Debt Service Coverage**

	2019 Audited	2020 Estimated	2021 Budgeted
Pledged Revenues	\$1,861,906	\$1,942,016	\$1,742,636
Annual Debt Service	\$197,194	\$197,194	\$197,194
Coverage	9.44	9.85	8.84

SOURCE: Douglas County Finance Division

General Obligation Water Systems Revenue Secured Bonds

The County currently has \$8,000,463 of outstanding general obligation debt secured by a lien on the net pledged revenues of the water systems of the County. The following table details the remaining payments on the County's outstanding water revenue bonds.

**Water Systems Revenue Secured Bonds
Outstanding Debt Service
June 30, 2020**

Fiscal Year Ended June 30	Principal	Interest ¹	Total
2021	\$1,109,419	\$234,772	\$1,344,191
2022	861,244	199,735	1,060,979
2023	738,428	171,972	910,400
2024	795,981	145,369	941,350
2025	818,915	118,834	937,749
2026	646,789	96,451	743,240
2027	643,920	76,748	720,668
2028	661,499	56,447	717,946
2029	684,460	35,486	719,946
2030	516,948	18,447	535,395
2031	200,287	9,574	209,861
2032	131,703	5,695	137,398
2033	97,453	2,780	100,233
2034	61,880	1,206	63,086
2035	<u>31,535</u>	<u>0</u>	<u>31,535</u>
TOTAL	\$8,000,463	\$1,173,516	\$9,173,979

¹ Net of the expected RZEDB Credit.

SOURCE: Douglas County Finance Division

The following table demonstrates the debt service coverage for the outstanding water systems revenue bonds.

**Water Systems Revenue Secured Bonds
Debt Service Coverage**

	2019 Audited	2020 Estimated	2021 Budgeted
Operating Revenues	\$6,668,875	\$5,831,222	\$6,020,999
Operating Expenses ¹	(4,108,590)	(4,777,084)	(4,675,963)
Nonoperating Revenues ²	1,518,410	94,193	399,973
CWSD Annual Funding	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>
Net Pledged Revenues	\$4,203,695	\$1,273,331	\$1,870,009
Annual Debt Service	\$1,361,357	\$1,379,818	\$1,344,191
Less Interest Subsidy (IRS Credit)	<u>(40,575)</u>	<u>(36,177)</u>	<u>(40,575)</u>
Net Annual Debt Service ³	\$1,320,782	\$1,343,641	\$1,303,616
Coverage ⁴	3.18	0.95	1.43

¹ Excludes depreciation.

² Capital contributions are included in Nonoperating Revenues.

³ Net annual debt service reflects the accrual basis of accounting as reported in the County's audited financial statements and annual budgets, and is net of the expected interest subsidy available on the 2010A Recovery Zone Economic Development water bonds.

⁴ Debt service is payable from all legally available funds of the County, including balances on deposit in the Regional Water Fund and the Douglas County Water Utility Fund. Subsequent to submission of its 2021 budget and based on unaudited fiscal year 2020 results, the County anticipates unaudited coverage of debt service to be 2.62x in fiscal year 2020.

SOURCE: Douglas County; compiled by JNA Consulting Group, LLC

General Obligation Sewer System Revenue Secured Bonds

The County currently has \$6,876,11 of outstanding general obligation debt secured by a lien on the net pledged revenues of the County's sewer systems. The following table details the remaining payments on the bonds.

**Sewer System Revenue Secured Bonds
Outstanding Debt Service
June 30, 2020**

Fiscal Year Ended June 30	Outstanding Sewer Bonds Debt Service		Pro Forma Debt Service 2016 SRF Loan ¹		Grand Total
	Principal	Interest (Accrual Basis)	Principal	Interest	
2021	\$509,000	\$30,680	\$280,344	\$98,878	\$918,902
2022	205,000	20,400	294,646	103,412	623,458
2023	210,000	14,558	300,717	97,341	622,616
2024	216,000	8,027	306,913	91,144	622,085
2025	228,000	623	313,237	84,820	626,681
2026	0	0	319,692	78,366	398,058
2027	0	0	326,279	71,779	398,058
2028	0	0	333,002	65,056	398,058
2029	0	0	339,863	58,194	398,058
2030	0	0	346,866	51,191	398,058
2031	0	0	354,013	44,044	398,058
2032	0	0	361,308	36,750	398,058
2033	0	0	368,753	29,305	398,058
2034	0	0	376,351	21,707	398,058
2035	0	0	384,106	13,952	398,058
<u>2036</u>	<u>0</u>	<u>0</u>	<u>392,020</u>	<u>6,038</u>	<u>398,058</u>
TOTAL	\$1,368,000	\$74,288	\$5,398,110	\$951,977	\$7,792,375

¹ The County has authorization for \$5,550,000, it has drawn \$4,920,576 as of June 30, 2020. The County pays principal and interest only on the actual amount drawn. During fiscal year 2020, the County repaid \$151,890 of the principal balance previously drawn.

SOURCE: Douglas County Finance Division

The following table demonstrates the debt service coverage for the bonds.

**Sewer System Revenue Secured Bonds
Debt Service Coverage**

	2019 Audited	2020 Estimated	2021 Budgeted
Operating Revenues	\$2,369,550	\$2,215,618	\$2,281,377
Operating Expenses ¹	(1,120,276)	(1,376,039)	(1,668,647) ²
Nonoperating Revenues	763,563	210,000	220,000
Capital Contributions	2,013,871	<u>0</u>	<u>0</u>
Pledged Revenues ³	\$4,026,708	\$1,049,579	\$832,730
Annual Debt Service ⁴	\$546,680	\$927,166	\$918,902
Coverage	7.37	1.13	0.91 ⁴

¹ Excludes depreciation.

² The increase in operating expenses is due to major repairs and maintenance projects in fiscal year 2020 and 2021. These expenses will be financed with reserve funds.

³ In the event pledged revenues are insufficient to pay debt service, the bonds are payable from all legally available funds of the County, including the general fund.

⁴ Annual debt service reflects principal and interest on the accrual basis of accounting as reported in the County's audited financial statements and annual budgets.

SOURCE: Douglas County Finance Division

General Obligation Debt Limit

NRS 350.013 1.(c)(2) A discussion of its capacity to incur authorized and proposed future general obligation debt without exceeding the applicable debt limit;

The County is limited by state statutes as to the amount of general obligation debt it can have outstanding. The limit is equal to 10 percent of the County’s total assessed valuation including the Redevelopment Agency. As of June 30, 2020, the County has \$20,095,538 of general obligation revenue supported debt and \$3,075,000 of medium-term general obligation debt outstanding. Based on the projected fiscal year 2020 assessed value, the County’s available general obligation debt limit is \$317,957,457.

General Obligation Debt Limit
Based on Projected Fiscal Year 2020 Assessed Value

Douglas County Assessed Value	\$3,325,384,336
Douglas County Redevelopment Agency Assessed Value	<u>85,895,612</u>
Total Assessed Value	3,411,279,948
General Obligation Debt Limit (10%)	341,127,995
Outstanding General Obligation Debt	23,170,538
Proposed General Obligation Debt	<u>0</u>
Available General Obligation Debt Limit	\$317,957,457

Other factors also limit the amount of debt the County can issue. These factors include, but are not limited to; overlapping tax rates, available revenues, market conditions, type of projects to be funded.

General Obligation Debt Comparisons

NRS 350.013 1.(c)(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;

NRS 350.013 1.(c)(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;

The following table shows a comparison of the County's outstanding debt with other comparable local governments.

General Obligation Debt Comparison

June 30, 2020

District	General Obligation Debt	Population ¹	FY 2020 Assessed Value ²	GO Debt Per Capita	GO Debt as a % of Assessed Value
Carson City	\$160,200,974	56,376	\$1,666,547,892	\$2,841.65	9.61%
Douglas County	23,170,538	49,815	3,325,384,336	465.13	0.70%
Lyon County	9,668,630	57,641	2,064,010,723	167.74	0.47%
Nye County	20,426,686	48,952	2,248,151,058	<u>417.28</u>	<u>0.91%</u>
			Average:	\$972.95	2.92%

¹ 2020 population projections from the Office of the State Demographer for Nevada, *Population Projections for Nevada and its Counties 2020 to 2023 Based on the 2019 Estimate*.

² Excludes redevelopment agencies; includes net proceeds of minerals.

SOURCE: Nevada Department of Taxation, Local Government Finance, *Property Tax Rates for Nevada Local Governments, Fiscal Year 2019-2020*; Nevada State Demographer, and the counties; compiled by JNA Consulting Group, LLC

Method of Sale

NRS 350.013 1.(c)(5) Policy regarding the manner in which the municipality expects to sell its debt;

Bonds can generally be sold at a competitive sale, negotiated sale or be privately placed.

Competitive Sale - Offering documents are sent to any firm interested in purchasing the bonds. A day and time are chosen for the sale and bonds are awarded to the firm offering the lowest true interest cost on the bonds (the "TIC"). The TIC is the discount rate which results in a present value of the future debt service payments equal to the amount bid for the bonds.

Negotiated Sale - One firm, or group of firms, is chosen in advance to offer the bonds for sale. At the time of sale, interest rates and other terms of the bonds are negotiated with the Underwriter.

Private Placement - A purchaser, usually an individual or bank, is identified and the bonds are placed directly. Interest rates and other terms of the bonds are negotiated with the purchaser.

NRS 350 generally requires bonds issued by the County to be sold at competitive sale. For most County general obligation bonds a competitive sale will usually result in the lowest TIC on the bonds. There are certain circumstances under which the County would consider a negotiated sale or private placements. Such circumstances include, but are not limited to:

- 1) Bonds issued with a variable rate of interest
- 2) Bonds rated below A- or not rated
- 3) Very small or very large bond issues
- 4) Unstable or highly volatile markets
- 5) Bonds with unusual security or structure

The County will follow the requirements of NRS 350.155 in choosing a method of sale for its bonds. If the County determines that a negotiated sale is warranted for a general obligation bond or a bond secured by an excise tax, it will distribute a request for proposal to underwriting firms. The selection of an underwriter(s) will be based on a determination of the firm that demonstrates its ability to obtain the overall best interest rate for the County. Consideration in making this determination will be given to the firm's experience with similar financings, proposed compensation structure, and marketing plan.

Operational Costs of Future Capital Projects

NRS 350.013 1.(c)(7) A discussion of its operational costs and revenue sources, for the ensuing 5 fiscal years, associated with each project included in its plan for capital improvement submitted pursuant to paragraph (d), if those costs and revenues are expected to affect the property tax rate.

The County has prepared a Capital Improvement Plan which will be filed with the State Department of Taxation under separate cover. The County anticipates that any financial impact on the general fund will be provided for within the maximum rate calculated by the Department of Taxation and that no tax overrides for operational costs will be required.

Capital Improvement Plan

NRS 350.013 1.(d) Either:

(1) Its plan for capital improvement for the ensuing 5 fiscal years, which must include any contemplated issuance of general obligation debt during this period and the sources of money projected to be available to pay the debt; or

(2) A statement indicating that no changes are contemplated in its plan for capital improvement for the ensuing 5 fiscal years.

The County's five-year Capital Improvement Plan is filed with the State Department of Taxation under separate cover.

Chief Financial Officer of Douglas County

NRS 350.013 1.(e) A statement containing the name, title, mailing address and telephone number of the chief financial officer of the municipality.

The chief financial officer of Douglas County is:

Terri Willoughby
Chief Financial Officer
P.O. Box 218
Minden, Nevada 89423
775-782-9821
775-782-6255 fax

Component Units of Douglas County

NRS 350.013 2. The governing body of a municipality may combine a statement or plan required by subsection 1 with the corresponding statement or plan of another municipality if both municipalities have the same governing body or the governing bodies of both municipalities agree to such a combination.

The Douglas County Board of Commissioners also sits as the governing body for the Town of Gardnerville, Town of Minden, Town of Genoa, and the Douglas County Redevelopment Agency. Each of the towns also has an elected board of five members. These boards manage the operations of their respective towns in an advisory capacity to the Board of County Commissioners.

This section discusses the outstanding general obligation debt information for each of these entities.

Town of Minden has no debt outstanding.

Town of Genoa has no debt outstanding.

Douglas County Redevelopment Agency has no debt outstanding.

Town of Gardnerville has no general obligation debt outstanding.