

ASSEMBLY BILL NO. 170—ASSEMBLYMEN DICKMAN, WHEELER,
FIORE; ELLISON, HAMBRICK, MOORE AND SHELTON

FEBRUARY 17, 2015

Referred to Committee on Government Affairs

SUMMARY—Revises provisions governing general obligations.
(BDR 30-917)

FISCAL NOTE: Effect on Local Government: May have Fiscal Impact.
Effect on the State: No.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to municipal obligations; clarifying that a general obligation issued or incurred by a municipality or school district must be used only for the stated purpose for which the general obligation was originally issued or incurred; requiring certain information to be included in certain publications relating to the intent of a municipality to issue or incur obligations; revising the manner of publication of a certain notice; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law authorizes municipalities and school districts to issue or incur general obligations upon meeting certain requirements. Municipalities generally are required to submit a proposal to issue or incur general obligations to the electors of the municipality at a special or general election, with the exception that municipalities may issue or incur general obligations by an affirmative vote of two-thirds of the members of the governing body of the municipality finding that the pledged non property tax revenue will be sufficient to service the debt, upon publishing a resolution of intent to issue or incur the obligation and upon meeting certain other procedural requirements. Under the exception, upon the filing of a petition by not less than 5 percent of the registered voters of the municipality, the obligation may be issued only pursuant to an election. (NRS 350.020) This bill: (1) clarifies that a general obligation issued or incurred by a municipality or school district must be used only for the stated purpose for which the general obligation was originally issued or incurred and not for any other purpose; (2) requires a publication of a resolution of the intent of a municipality to issue or incur a general obligation to include certain information relating to the filing of a petition to hold an election on the issuance of the obligation; and (3) requires the publication of the notice of the public hearing concerning the incurrence of the obligation to be made



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19 at least three times, once a week for 3 consecutive weeks, in a newspaper of general
20 circulation in the municipality.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** NRS 350.020 is hereby amended to read as follows:
2 350.020 1. *A general obligation issued or incurred pursuant*
3 *to this section must be used only for the stated purpose for which*
4 *the general obligation was originally issued or incurred and not*
5 *for any other purpose.* Except as otherwise provided by subsections
6 3 and 4, if a municipality proposes to issue or incur general
7 obligations, the proposal must be submitted to the electors of the
8 municipality at a special election called for that purpose or the next
9 general municipal election or general state election.
10 2. Such a special election may be held:
11 (a) At any time, including, without limitation, on the date of a
12 primary municipal election or a primary state election, if the
13 governing body of the municipality determines, by a unanimous
14 vote, that an emergency exists; or
15 (b) On the first Tuesday after the first Monday in June of an
16 odd-numbered year,
17 ↳ except that the governing body shall not determine that an
18 emergency exists if the special election is for the purpose of
19 submitting to the electors a proposal to refund bonds. The
20 determination made by the governing body is conclusive unless it is
21 shown that the governing body acted with fraud, a gross abuse of
22 discretion or in violation of the provisions of this subsection. An
23 action to challenge the determination made by the governing body
24 must be commenced within 15 days after the governing body's
25 determination is final. As used in this subsection, "emergency"
26 means any occurrence or combination of occurrences which requires
27 immediate action by the governing body of the municipality to
28 prevent or mitigate a substantial financial loss to the municipality or
29 to enable the governing body to provide an essential service to the
30 residents of the municipality.
31 3. If payment of a general obligation of the municipality is
32 additionally secured by a pledge of gross or net revenue of a project
33 to be financed by its issue, and the governing body determines, by
34 an affirmative vote of two-thirds of the members elected to the
35 governing body, that the pledged revenue will at least equal the
36 amount required in each year for the payment of interest and
37 principal, without regard to any option reserved by the municipality
38 for early redemption, the municipality may, after a public hearing,
39 incur this general obligation without an election unless, within 90



1 days after publication of a resolution of intent to issue the bonds, a
2 petition is presented to the governing body signed by not less than 5
3 percent of the registered voters of the municipality. Any member
4 elected to the governing body whose authority to vote is limited by
5 charter, statute or otherwise may vote on the determination required
6 to be made by the governing body pursuant to this subsection. The
7 determination by the governing body becomes conclusive on the last
8 day for filing the petition. For the purpose of this subsection, the
9 number of registered voters must be determined as of the close of
10 registration for the last preceding general election. The resolution of
11 intent need not be published in full, but the publication must include
12 the amount of the obligation, ~~and~~ the purpose for which it is to be
13 incurred ~~and~~, *the date by which the registered voters of the*
14 *municipality must file a petition with the governing body to hold*
15 *an election on the issuance of the obligation, the location at which*
16 *the petition must be filed with the governing body and the location*
17 *at which a person may obtain additional information regarding*
18 *the contents of and filing requirements for the petition.* Notice of
19 the public hearing must be published at least ~~10 days before the day~~
20 ~~of the hearing. The publications must be made~~ *three times*, once
21 *each week for three consecutive weeks*, in a newspaper of general
22 circulation in the municipality. *The third publication of the notice*
23 *required by this subsection must be made at least 10 days before*
24 *the date of the hearing.* When published, the notice of the public
25 hearing must be at least as large as 5 inches high by 4 inches wide.

26 4. The board of trustees of a school district may issue general
27 obligation bonds which are not expected to result in an increase in
28 the existing property tax levy for the payment of bonds of the school
29 district without holding an election for each issuance of the bonds if
30 the qualified electors approve a question submitted by the board of
31 trustees that authorizes issuance of bonds for a period of 10 years
32 after the date of approval by the voters. If the question is approved,
33 the board of trustees of the school district may issue the bonds for a
34 period of 10 years after the date of approval by the voters, after
35 obtaining the approval of the debt management commission in the
36 county in which the school district is located and, in a county whose
37 population is 100,000 or more, the approval of the oversight panel
38 for school facilities established pursuant to NRS 393.092 in that
39 county, if the board of trustees of the school district finds that the
40 existing tax for debt service will at least equal the amount required
41 to pay the principal and interest on the outstanding general
42 obligations of the school district and the general obligations
43 proposed to be issued. The finding made by the board of trustees is
44 conclusive in the absence of fraud or gross abuse of discretion. As
45 used in this subsection, "general obligations" does not include



1 medium-term obligations issued pursuant to NRS 350.087 to
2 350.095, inclusive.

3 5. At the time of issuance of bonds authorized pursuant to
4 subsection 4, the board of trustees shall establish a reserve account
5 in its debt service fund for payment of the outstanding bonds of the
6 school district. The reserve account must be established and
7 maintained in an amount at least equal to the lesser of:

8 (a) For a school district located in a county whose population is
9 100,000 or more, 25 percent; and

10 (b) For a school district located in a county whose population is
11 less than 100,000, 50 percent,

12 ➔ of the amount of principal and interest payments due on all of the
13 outstanding bonds of the school district in the next fiscal year or 10
14 percent of the outstanding principal amount of the outstanding
15 bonds of the school district.

16 6. If the amount in the reserve account falls below the amount
17 required by subsection 5:

18 (a) The board of trustees shall not issue additional bonds
19 pursuant to subsection 4 until the reserve account is restored to the
20 level required by subsection 5; and

21 (b) The board of trustees shall apply all of the taxes levied by
22 the school district for payment of bonds of the school district that
23 are not needed for payment of the principal and interest on bonds of
24 the school district in the current fiscal year to restore the reserve
25 account to the level required pursuant to subsection 5.

26 7. A question presented to the voters pursuant to subsection 4
27 may authorize all or a portion of the revenue generated by the debt
28 rate which is in excess of the amount required:

29 (a) For debt service in the current fiscal year;

30 (b) For other purposes related to the bonds by the instrument
31 pursuant to which the bonds were issued; and

32 (c) To maintain the reserve account required pursuant to
33 subsection 5,

34 ➔ to be transferred to the county school district's fund for capital
35 projects established pursuant to NRS 387.328 and used to pay the
36 cost of capital projects which can lawfully be paid from that fund.
37 Any such transfer must not limit the ability of the school district to
38 issue bonds during the period of voter authorization if the findings
39 and approvals required by subsection 4 are obtained.

40 8. A municipality may issue special or medium-term
41 obligations without an election.

42 **Sec. 2.** (Deleted by amendment.)

