# BDR 30-917
# AB 170

LOCAL GOVERNMENT
FISCAL NOTE

AGENCY'S ESTIMATES

Date Prepared: March 1, 2015

Agency Submitting: Local Government

| Items of Revenue or Expense, or Both | Fiscal Year 2014-15 | Fiscal Year 2015-16 | Fiscal Year 2016-17 | Effect on Future Biennia |
|---|---|---|---|---|
| | | | | |
| Total | 0 | 0 | 0 | 0 |

Explanation (Use Additional Sheets of Attachments, if required)

See attached.

Name Michael Nakamoto

Title Deputy Fiscal Analyst

The following responses from local governments were compiled by the Fiscal Analysis Division. The Fiscal Analysis Division can neither verify nor comment on the figures provided by the individual local governments.

Local Government Responses
**A.B. 170 / BDR 30 - 917**

City/County: **City of Henderson**

Approved by: Mike Cathcart, Business Operations Manager

Comment: The fiscal impact to the City of Henderson is based on being required to hold an election to issue certain levels of GO bonds. The election would be an all-mail ballot special election at a cost of $167,000 per election. The long-term fiscal note is based on needing an election approximately every other year.

| Impact | FY 2014-15 | FY 2015-16 | FY 2016-17 | Future Biennia |
|---|---|---|---|---|
| Has Impact | $0 | $168,100 | $0 | $168,100 |

City/County: **City of Las Vegas**

Approved by: Michelle Thackston, Administrative Secretary

Comment: There is a great concern regarding the fiscal impact that this bill would have. This would impair our ability to issue GO bonds. To illustrate the impact, Finance furnished the schedule below which shows the current GO debt issues that we may have not been able to issue had this BDR been in place. If subject to a vote of the people, some of these project may not have been able to be built. Local governments must prove affordability of debt as they determine to finance project and there NRS in place to monitor and guide on the issuance of debt.

| Impact | FY 2014-15 | FY 2015-16 | FY 2016-17 | Future Biennia |
|---|---|---|---|---|
| Has Impact | $0 | $0 | $0 | $0 |

City/County: **City of Reno**

Approved by: Ryan High, Budget/Strat. Initiatives Mgr.

Comment: This legislation could have a substantial fiscal impact to the City of Reno's borrowing options, but the exact fiscal impact cannot be determined at this time. Additionally and separately, the City recognizes a minimal increase to publication costs.

| Impact | FY 2014-15 | FY 2015-16 | FY 2016-17 | Future Biennia |
|---|---|---|---|---|
| Cannot Be Determined | $0 | $0 | $0 | $0 |

City/County: **City of Sparks**

Approved by: Jeff Cronk, Financial Services Director

Comment: Requiring a vote of the electorate for debt issues greater than $5M will likely result in higher debt issuance costs for municipalities within Washoe and Clark Counties. Current law allows municipalities flexible debt issuance options that are often more cost efficient then seeking voter approval. The relatively low threshold of $5M as proposed will likely result in increased debt issuance costs.

| Impact | FY 2014-15 | FY 2015-16 | FY 2016-17 | Future Biennia |
|---|---|---|---|---|
| Has Impact | $0 | $0 | $0 | $0 |

City/County: **Carson City**

Approved by: Nickolas A. Providenti, Finance Director

Comment: This bill would not allow us to issue GO-Rev bonds at all if they were more than $2.5 million.  This would include refunding bonds which Carson City issued over $17 million in 2014 saving tax and rate payers almost $1.4 million in interest.  If this bill passed Carson City would be forced to issue pure revenue bonds which would increase the interest rates on the bonds somewhere between 0.25% and 0.50%.  We would not be able to use the State Bond Bank program and would increase our costs if we were to use the federally subsidized State Revolving Fund (SRF) program.  Also the language being added in paragraph 3 regarding pledged revenue "of the project to be financed" is problematic.  Most of Carson City's GO-Rev bonds that aren't water and sewer related omit revenues from the project to be financed as a "pledged revenue".  As an example, we recently issued bonds to pay for Infrastructure projects (basically street improvements) which do not generate any revenue - the city levied a 1/8 cent sales tax pursuant to NRS 377B that is pledged to pay the debt, not project revenues.

It is hard to put a number on the fiscal impact of this bill.  There would be increased interest costs if we had to issue only revenue bonds.  There would be increased issuance costs if we were limited to issuing bonds in $2 million increments.  I am estimating the cost at $100,000 per year.

| Impact | FY 2014-15 | FY 2015-16 | FY 2016-17 | Future Biennia |
|---|---|---|---|---|
| Has Impact | $0 | $100,000 | $100,000 | $200,000 |

City/County: **Churchill County**

Approved by: Eleanor Lockwood, County Manager

Comment: Passage of BDR 30-917 would likely cost Churchill County approximately $1,000 for three publications.  However, the fiscal impacts could be significant if the County had to get voter approval for all general obligations greater than $2.5M for Counties with populations less than 100,000 as proposed.  The cost would include the cost to place on the ballot, cost associated with the delay in getting the project moving forward and interest rate costs if rates were to increase.

| Impact | FY 2014-15 | FY 2015-16 | FY 2016-17 | Future Biennia |
|---|---|---|---|---|
| Cannot Be Determined | $0 | $0 | $0 | $0 |

City/County: **Clark County**

Approved by: David Dobrzynski, Assistant Director of Finance

Comment: AB 170 will have a significant fiscal impact. Revenue Backed G.O. Bond financing is used more often than any other single type of long term financing for capital projects. These bonds are used so frequently because this financing is the least expensive financing. Clark County has $2.6 billion G.O Backed Revenue Bonds issued. AB 170 would have required all of these bonds to go to a vote because each issuance was in excess of $5 million. Generally, any bond issued by Clark County will be in excess of $5 million. We've issued bonds for projects such for the Beltway (transportation revenue supported), LV Strip Corridor (room tax supported), and public safety facilities (consolidated tax supported). In addition, Clark County issues bonds for other agencies such as the CCFD (sales tax supported), LVCVA (room tax or general revenue supported), UMC (revenue supported), and the SNWA/LVVWD (revenue supported). AB 170 will be more expensive because of the cost of an election and the need to wait until a time when an election can be held. This delay will result in increases in costs as a result of inflation because projects will be delayed. Clark County could seek to issue other forms of long-term financing which will increase interest rates on debt issuances. For example, for every ½% increase in interest rates on a $100 million, will increase interest costs $500,000 annually. This does not include increased issuance costs such higher fees for underwriters, rating agency fees, trustee bank fees, bond insurance, fees of attorneys, etc. In addition to the higher interest rate costs, we will be faced with having to fund debt service reserve funds from the bond proceeds, as well as having to deal with additional coverage requirements. Having to incorporate increased debt service reserves and coverage into a bond issue will reduce the bond proceeds available to fund the project, or will increase the borrowing requirement to fund a project.

| Impact | FY 2014-15 | FY 2015-16 | FY 2016-17 | Future Biennia |
|---|---|---|---|---|
| Cannot Be Determined | $0 | $0 | $0 | $0 |

City/County: **Douglas County**

Approved by: Christine Vuletich, Assistant County Manager/CFO

Comment: This proposed change to existing law regarding the issuance of general obligation debt would essentially limit local governments' ability to issue GO debt to finance important projects. For projects larger than $2.5 million or $5.0 million for smaller and larger cities and counties respectively, revenue bonds would be the only option, however these bonds are more costly to issue. The increased cost of of borrowing would have to be borne by the taxpayers due to higher interest rates (0.25% to .50% higher), and higher debt service coverage and reserve requirements. In an analysis to see what Douglas County's existing GO debt would cost to maturity if we would have had to issue that debt as revenue bonds (at 50 basis points higher)revealed that the impact would be approximately $2 million (see attachment). As most of our outstanding debt is water and sewer bonds, this would certainly have translated into higher water and sewer rates for our ratepayers, and does not factor in any additional rate increases that would be required to meet the higher debt service coverage required of revenue bonds. The County is planning needed improvements to water and sewer systems in the future that will be debt financed. Having to issue revenue bonds will translate into higher rates for our citizens similar to the analysis discussed above.

| Impact | FY 2014-15 | FY 2015-16 | FY 2016-17 | Future Biennia |
|---|---|---|---|---|
| Has Impact | $0 | $0 | $0 | $0 |

City/County: **Humboldt County**

Approved by: Sondra Schmidt, Comptroller

Comment: No Impact

| Impact | FY 2014-15 | FY 2015-16 | FY 2016-17 | Future Biennia |
|---|---|---|---|---|
| No Impact | $0 | $0 | $0 | $0 |

City/County: **Washoe County**

Approved by: Liane Lee , Government Affairs Mgr.

Comment: There will be additional cost associate with this BDR: it will limit the ability to use Revenue Backed G.O. Bonds for projects due to the limitation on the size of the issue as well as the restriction on the source of revenue for repayment. Revenue Backed G.O. Bonds is used often as it is in most cases the least expensive long term financing tool. As a result we will have to look at more costly financing options for financing long term capital projects. If an issue has to go on the ballot it could take worst case two years to get on a general election ballot. This can limit the ability to take advantage of a favorable rate environment to keep the cost of the debt issue as low as possible. We often take advantage of favorable rate environments to refinance existing debt and this proposed change may limit the ability to refinance allowed under current law. We have saved considerable amounts over the years by refinancing existing debt. There will also be some additional costs associates with publishing the notice of hearing 3 times instead of the current requirement to publish once. The fiscal impact will vary depending on the amount of debt issued.

| Impact | FY 2014-15 | FY 2015-16 | FY 2016-17 | Future Biennia |
|---|---|---|---|---|
| Has Impact | $0 | $0 | $0 | $0 |

City/County: **White Pine County**
Approved by: Elizabeth Frances, Finance Director
Comment: No Impact

| Impact | FY 2014-15 | FY 2015-16 | FY 2016-17 | Future Biennia |
|---|---|---|---|---|
| No Impact | $0 | $0 | $0 | $0 |

School District: **Carson City School District**
Approved by: Andrew J Feuling, Director of Fiscal Services
Comment: I don't believe Carson has an issuance completed using the exception. There would of course be added costs for publishing the resolution three times. I believe the Board of Trustees and Administration of the District would have the best interests of the District in choosing how to spend the money generated, so strictly limiting the use to a described purpose seems short-sighted. The limitation on the size of the borrowing would have an obvious impact on districts planning to issue debt under the exception. With the amount of deferred maintenance in the state's schools and much needed new construction, I'm not sure this bill does anything to help the situation but add layers of work to an already clear and public process.

| Impact | FY 2014-15 | FY 2015-16 | FY 2016-17 | Future Biennia |
|---|---|---|---|---|
| Has Impact | $0 | $0 | $0 | $0 |

School District: **Clark County School District**
Approved by: Nikki Thorn, Deputy CFO
Comment: CCSD expects this to have impact on its ability to issue bonds in an amount greater than $5,000,000. This amount is an extremely low threshold to put to the voters especially for pledged revenue bonds that CCSD regularly issues using room and real property tax revenues. This proposal would have significant impact on the District's capital program and the ability to move it forward. CCSD schools are already overcrowded at many levels and taking such a low threshold amount to the voters is time consuming and unnecessary. This new proposed process could potentially defer much needed maintenance which only escalates costs further, however, the escalation cannot accurately be determined. Another issue with this proposal is in determining whether or not pledged revenues are sufficient to pay debt service. This bill wants to tie the revenues ( for CCSD room and real property taxes) to the specific project. Due to the source of pledged revenues this will never be the case. Finally, Revenue Bonds are used often for long term financing because in most cases General Obligation Backed Revenue Bond financing is the least expensive long term financing. So in that sense, this proposal is mandating local governments to use a more expensive financing option which is not assisting taxpayers in cost savings but actually driving costs upwards. This bill is not good for any local government.

| Impact | FY 2014-15 | FY 2015-16 | FY 2016-17 | Future Biennia |
|---|---|---|---|---|
| Has Impact | $0 | $0 | $0 | $0 |

School District: **Douglas County School District**

Approved by: HOLLY LUNA, CFO, BUSINESS SERVICES

Comment: If the district had capacity to bond, we already comply with the BDR proposal with one exception - the notification. An estimate was provided for fiscal expenditures relating to the notification advertisement as required.

| Impact | FY 2014-15 | FY 2015-16 | FY 2016-17 | Future Biennia |
|---|---|---|---|---|
| Has Impact | $0 | $900 | $900 | $900 |

School District: **Lincoln County School District**

Approved by: Steve Hansen, Superintendent

Comment: The revision language governing general obligation bonds does not fiscally impact Lincoln County School District. The language clarifies stated purpose, publications, and limits indebtedness with no impact.

| Impact | FY 2014-15 | FY 2015-16 | FY 2016-17 | Future Biennia |
|---|---|---|---|---|
| No Impact | $0 | $0 | $0 | $0 |

School District: **Lyon County School District**

Approved by: Philip Cowee, Director of Finance

Comment: The only fiscal impact will be for advertising the general obligation information three times instead of once. The impact will only be realized if the district has the need to issue general obligation bonds. This impact is immaterial to the operations of the district.

| Impact | FY 2014-15 | FY 2015-16 | FY 2016-17 | Future Biennia |
|---|---|---|---|---|
| Has Impact | $0 | $0 | $0 | $0 |

School District: **Mineral County School District**

Approved by: Patricia Stoddard, Finance Manager

Comment: No Impact

| Impact | FY 2014-15 | FY 2015-16 | FY 2016-17 | Future Biennia |
|---|---|---|---|---|
| No Impact | $0 | $0 | $0 | $0 |

School District: **Nye County School District**

Approved by: Kerry Paniagua, Executive Secretary

Comment: No Impact

| Impact | FY 2014-15 | FY 2015-16 | FY 2016-17 | Future Biennia |
|---|---|---|---|---|
| No Impact | $0 | $0 | $0 | $0 |

School District: **Pershing County School District**
Approved by: Dan Fox, Superintendent
Comment: Suggest you contact Marty Johnson for input.

| Impact | FY 2014-15 | FY 2015-16 | FY 2016-17 | Future Biennia |
|---|---|---|---|---|
| Cannot Be Determined | $0 | $0 | $0 | $0 |

School District: **Washoe County School District**
Approved by: Lindsay E. Anderson, Director of Government Affairs
Comment: No Impact

| Impact | FY 2014-15 | FY 2015-16 | FY 2016-17 | Future Biennia |
|---|---|---|---|---|
| No Impact | $0 | $0 | $0 | $0 |

School District: **White Pine County School District**
Approved by: Paul Johnson, CFO
Comment: No Impact

| Impact | FY 2014-15 | FY 2015-16 | FY 2016-17 | Future Biennia |
|---|---|---|---|---|
| No Impact | $0 | $0 | $0 | $0 |

**The following cities, counties and school districts did not provide a response:** Boulder City, City of Elko, City of Mesquite, City of North Las Vegas, Elko County, Esmeralda County, Eureka County, Lander County, Lincoln County, Lyon County, Mineral County, Nye County, Pershing County, Storey County, Churchill County School District, Elko County School District, Esmeralda County School District, Eureka County School District, Humboldt County School District, Lander County School District, and Storey County School District.