

DEBT MANAGEMENT POLICY

As of June 30, 2022

Douglas County,
Nevada

Prepared by:
JNA Consulting Group, LLC



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, 2022, the County has \$27,035,131 of general obligation debt outstanding comprised of \$1,045,000 of general obligation medium-term bonds and \$25,990,131 of general obligation revenue bonds.

Outstanding Other Debt

The County also has \$10,227,000 of revenue bonds outstanding which are secured by specific pledged revenues and are not general obligation debt. The County has \$125,283 in installment purchase obligations outstanding, which are not considered general obligation debt.

Proposed General Obligation Debt

The County reserves the right to issue additional debt any time legal requirements are met. \$8,388,595 of authorized general obligation revenue debt has not yet been drawn.

The County presently has approximately \$340,893,202 of statutory debt limit available.

While not general obligation debt, the County is evaluating the potential issuance of an installment purchase agreement of approximately \$40,000,000.

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, 2022, the County has \$25,990,131 of outstanding general obligation revenue supported debt and \$1,045,000 of general obligation medium-term debt outstanding. The County has \$10,227,000 of revenue bonds outstanding. The County has \$125,283 in installment purchase obligations outstanding, which are not considered general obligation debt. The following tables list the County's outstanding debt.

Outstanding Debt

June 30, 2022

Issue	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
GENERAL OBLIGATION DEBT				
GENERAL OBLIGATION MEDIUM-TERM BONDS				
Community Center Bonds	03/19/13	03/01/23	\$7,800,000	<u>\$1,045,000</u>
TOTAL G.O. MEDIUM-TERM BONDS				\$1,045,000
GENERAL OBLIGATION REVEUE BONDS				
<i>Consolidated Tax Secured Bonds</i>				
Community Center Refunding Bonds	05/03/22	08/01/32	6,567,000	\$6,567,000
<i>Water Revenue Secured Bonds</i>				
SRF Water Bond, Series 2005D	12/30/05	07/01/25	674,542	167,969
SRF Water Bond, Series 2009	03/06/09	07/01/28	2,365,037	1,145,164
SRF Water Bond, Series 2010	02/11/10	01/01/30	1,150,000	559,928
SRF Water Bond, Series 2011A	04/29/11	01/01/31	1,000,000	571,165
SRF Water Bond, Series 2012B	07/13/12	07/01/32	1,300,000	690,941
MBB Water Refunding Bonds, Series 2012A	03/22/12	11/01/24	1,375,000	475,000
SRF Water Improv. Bond, Series 2014	10/29/14	07/01/34	1,000,000	679,633
Water Refunding Bonds, Series 2020	12/01/20	12/01/29	1,992,000	1,793,000
SRF Water Improv. Bond, Series 2021 ¹	05/20/21	01/01/41	16,250,000	7,861,405
<i>Sewer Revenue Secured Bonds</i>				
Sewer Refunding Bonds, Series 2014	05/22/14	08/01/24	2,010,000	654,000
SRF Sewer Loan, Series 2016	05/04/16	07/01/36	5,550,000	<u>4,824,926</u>
TOTAL GENERAL OBLIGATION REVENUE BONDS				\$25,990,131
TOTAL GENERAL OBLIGATION DEBT OUTSTANDING				\$27,035,131
REVENUE BONDS				
Airport Revenue Bonds	12/02/14	06/01/29	1,075,000	\$592,000
Highway Revenue Bonds, Series 2016A	11/30/16	11/01/36	11,635,000	<u>9,635,000</u>
TOTAL REVENUE BOND DEBT				\$10,227,000
OTHER DEBTS				
Capital Lease-911 Emergency Console	10/27/16	10/27/23	410,000	<u>\$125,283</u>
TOTAL OTHER DEBT				\$125,283
GRAND TOTAL ALL OUTSTANDING DEBT				\$37,387,414

¹ The County has authorization for \$16,250,000, and it has drawn \$7,861,405 as of June 30, 2022.

SOURCE: Douglas County 2023 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 \$1,045,000 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, 2022

FY Ending June 30	Principal	Interest	Annual Debt Service
2023	<u>1,045,000</u>	<u>21,423</u>	<u>1,066,423</u>
TOTAL	\$1,045,000	\$21,423	\$1,066,423

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**

	2021 (Audited)	2022 (Estimated)	2023 (Budgeted)
Capital Projects Tax Fund Revenues	\$1,445,858	\$1,633,000	\$1,720,747
Room Tax Fund Revenues	<u>18,841,328</u>	<u>16,618,000</u>	<u>19,860,361</u>
Total Available Revenues	\$20,287,186	\$18,251,000	\$21,581,108
Annual Debt Service	\$1,067,870	\$1,067,435	\$1,066,422

SOURCE: Douglas County Finance Division

General Obligation Consolidated Tax Secured Bonds

The County currently has \$6,567,000 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, 2022**

FY Ending June 30	Principal	Interest	Annual Debt Service
2023	\$0	\$105,108	\$105,108
2024	595,000	134,794	729,794
2025	608,000	121,862	729,862
2026	621,000	108,650	729,650
2027	635,000	95,148	730,148
2028	648,000	81,356	729,356
2029	662,000	67,274	729,274
2030	677,000	52,879	729,879
2031	692,000	38,163	730,163
2032	707,000	23,123	730,123
2033	<u>722,000</u>	<u>7,762</u>	<u>729,762</u>
TOTAL	\$6,567,000	\$836,119	\$7,403,119

SOURCE: Douglas County Finance Division

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

**Consolidated Tax Secured Bonds
Debt Service Coverage**

	2021 (Audited)	2022 (Estimated)	2023 (Budgeted)
Pledged Revenues ¹	\$2,133,842	\$2,097,066	\$2,381,969
Annual Debt Service	\$197,194	\$197,194	\$105,108
Coverage	10.82	10.63	22.66

¹ 15% of the County's receipt of Consolidated Taxes

SOURCE: Douglas County Finance Division

General Obligation Water Systems Revenue Secured Bonds

The County currently has \$6,082,799 of outstanding general obligation debt secured by a lien on the net pledged revenues of the water systems of the County. The County also has up to \$8,388,595 of water system bonds available to draw from the State Revolving Fund program¹. The following table details the remaining payments on the County's outstanding water revenue bonds and pro-forma payments on the SRF bond.

**Water Systems Revenue Secured Bonds
Outstanding Debt Service
June 30, 2022**

Fiscal Year	Outstanding		Pro-Forma 2021 Bond		Total
	Principal	Interest	Principal	Interest	
2023	\$ 761,427	\$ 135,962	\$ -	\$ 230,750	\$ 1,128,139
2024	813,982	122,270	-	230,750	1,167,002
2025	832,915	100,311	851,530	227,738	2,012,494
2026	655,789	81,154	863,665	215,603	1,816,210
2027	648,921	66,006	875,972	203,296	1,794,194
2028	661,500	50,828	888,455	190,813	1,791,596
2029	679,460	35,240	901,116	178,152	1,793,968
2030	505,950	20,742	913,957	165,310	1,605,960
2031	200,285	12,346	926,982	152,286	1,291,898
2032	131,703	7,354	940,191	139,076	1,218,325
2033	97,453	4,014	953,590	125,678	1,180,735
2034	61,879	1,998	967,179	112,089	1,143,145
2035	31,535	404	980,961	98,306	1,111,207
2036	-	-	994,940	84,327	1,079,268
2037	-	-	1,009,119	70,149	1,079,268
2038	-	-	1,023,499	55,769	1,079,268
2039	-	-	1,038,084	41,183	1,079,268
2040	-	-	1,052,878	26,390	1,079,268
2041	-	-	1,067,881	11,386	1,079,268
TOTAL	\$ 6,082,799	\$ 638,628	\$ 16,250,000	\$ 2,559,053	\$ 25,530,480

¹ The County has authorization for \$16,250,000, and it has drawn \$7,861,405 as of June 30, 2022.

SOURCE: Douglas County Finance Division

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

**Water Revenue Secured Bonds
Debt Service Coverage**

	2021 (Audited)	2022 (Estimated)	2023 (Budgeted)
Operating Revenues	\$7,026,881	\$6,612,738	\$6,794,590
Operating Expenses ¹	(6,120,617)	(5,054,108)	(4,537,529)
Nonoperating Revenues ²	3,828,450	774,555	784,121
CWSD Annual Funding	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>
Net Pledged Revenues	\$4,859,714	\$2,458,185	\$3,166,182
Annual Debt Service	\$1,475,615	\$1,092,895	\$1,128,139
Coverage ³	3.29	2.25	2.81

¹ Excludes depreciation.

² Capital contributions are included in Nonoperating Revenues.

³ 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.

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

General Obligation Sewer System Revenue Secured Bonds

The County currently has \$5,478,926 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, 2022**

FY Ending				
June 30	Principal		Interest	Total
2023	\$ 510,830	\$	108,852	\$ 619,682
2024	523,028		101,951	624,979
2025	541,355		88,591	629,946
2026	319,811		78,395	398,207
2027	326,401		71,806	398,207
2028	333,127		65,080	398,207
2029	339,991		58,216	398,207
2030	346,996		51,211	398,207
2031	354,146		44,061	398,207
2032	361,443		36,764	398,207
2033	368,891		29,316	398,207
2034	376,492		21,715	398,207
2035	384,249		13,957	398,207
2036	<u>392,167</u>		<u>6,040</u>	<u>398,207</u>
TOTAL	\$5,478,926	\$	775,955	\$ 6,254,881

SOURCE: Douglas County Finance Division

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

**Sewer Revenue Secured Bonds
Debt Service Coverage**

	2021	2022	2023
	Audited	Estimated	Budgeted
Operating Revenues	\$2,528,963	\$2,538,111	\$2,578,636
Operating Expenses ¹	(1,232,901)	(2,203,677)	(2,703,812)
Nonoperating Revenues	<u>746,187</u>	<u>324,014</u>	<u>431,498</u>
Pledged Revenues ²	2,042,249	658,448	306,322
Annual Debt Service ³	934,262	618,524	619,682
Coverage	2.19	1.06	0.49

¹ Excludes depreciation. In FY23, operating expenses include \$886,000 of one-time major maintenance and repairs; these expenses will be financed with reserve funds.

² 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.

³ 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

Contemplated Installment Purchase Agreement

While not general obligation debt, the County is contemplating the issuance of one or more installment purchase agreements in an aggregate principal amount of \$40,000,000. The County anticipates these obligations will finance the construction of a new justice center and remodel of its existing judicial law enforcement center. No final decision has been made regarding such issuance, however.

The contemplated installment purchase agreements are currently estimated at \$40,000,000. The County is evaluating their repayment over a fifteen-year period. The current estimated interest rate is 4.35%. The table below illustrates the contemplated lease payments.

Contemplated Installment Purchase Agreement Pro-Forma Debt Service Schedule			
Fiscal Year	Principal	Interest¹	Total
2023	\$330,000	\$870,000	\$1,200,000
2024	781,689	1,718,311	2,500,000
2025	1,018,237	1,681,763	2,700,000
2026	1,265,187	1,634,813	2,900,000
2027	1,522,996	1,577,004	3,100,000
2028	1,792,142	1,507,858	3,300,000
2029	2,073,123	1,426,877	3,500,000
2030	2,366,459	1,333,541	3,700,000
2031	2,672,695	1,227,305	3,900,000
2032	2,992,396	1,107,604	4,100,000
2033	3,326,156	973,844	4,300,000
2034	3,674,592	825,408	4,500,000
2035	4,038,351	661,649	4,700,000
2036	4,418,104	481,896	4,900,000
2037	5,000,871	285,443	5,286,315
2038	<u>2,727,002</u>	<u>59,312</u>	<u>2,786,315</u>
	\$40,000,000	\$17,372,629	\$57,372,629

¹ Interest rate estimated at 4.35%.

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

General Obligation Debt Limit

NRS 350.013 1.(c)(2) A discussion of its capacity to incur authorized and proposed 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, 2022, the County has \$27,035,131 of general obligation revenue supported debt and \$1,045,000 of medium-term general obligation debt outstanding. There is \$8,388,595 of authorized general obligation revenue debt that has not yet been drawn. Based on the fiscal year 2022 assessed value, the County's available general obligation debt limit is \$340,893,202.

General Obligation Debt Limit Based on Projected Fiscal Year 2022 Assessed Value

Assessed Value	\$3,664,516,681
Redevelopment Agency Assessed Value	<u>98,652,593</u>
Total Assessed Value	3,763,169,274
General Obligation Debt Limit (10%)	\$376,316,927
Outstanding General Obligation Debt	(27,035,131)
Authorized General Obligation Debt	<u>(8,388,595)</u>
Available General Obligation Debt Limit	\$340,893,202

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, 2022

District	General Obligation Debt	Population ¹	FY 2021 Assessed Value ²	GO Debt Per Capita	GO Debt as a % of Assessed Value
Carson City	\$149,607,785	57,073	\$1,799,198,563	\$2,621.34	8.32%
Douglas County	27,035,131	49,661	3,664,516,681	544.39	0.74%
Lyon County	28,599,395	58,051	2,417,992,311	492.66	1.18%
Nye County	18,185,643	49,289	2,311,658,811	<u>368.96</u>	<u>0.79%</u>
			Average:	1,006.84	2.76%

¹ 2022 population from the Office of the State Demographer for Nevada, *Certified Population Estimates for Nevada's Counties, Cities, and Towns 2001-2021*.

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 2021-2022; 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 generally 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 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 required 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 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 cost 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.