



## BOARD OF COMMISSIONERS

1594 Esmeralda Avenue, Minden, Nevada 89423

Steve Mokrohisky  
COUNTY MANAGER  
775-782-9821

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Lee Bonner  
Nancy McDermid  
Barry Penzel

TO: Steve Mokrohisky, County Manager  
FROM: Christine Vuletich, Assistant County Manager/Chief Financial Officer  
DATE: September 10, 2013  
RE: Issuance of Municipal Bonds for Road Improvements

Municipal bonds are debt securities issued by a state, municipality or county to finance major capital improvements. The issuer of a municipal bond receives a cash payment at the time of issuance in exchange for a promise to repay the investors who provide the cash payment (the bondholders) over time. An extensive system of both state and federal laws and regulations govern the methods for issuing bonded debt. Bonds bear interest that the issuer repays, along with repayment of the principal over a period of time, typically 20 years or more. The County has the ability to finance certain road improvements with the issuance of bonds; however, the issuance is dependent on the nature of the improvements and on the repayment source for the debt.

Only major capital improvements are eligible for debt financing. As defined in NRS 350.532, "Improvements" include the extension, widening, lengthening, betterment, alteration, reconstruction or other major improvement, or any combination thereof, of any properties pertaining to a project, or and interest therein, but does not mean renovation, reconditioning, patching, general maintenance or other minor repair." Therefore, the issuance of debt is limited to major capital improvements only such as road reconstructions, and is not to be used for annual road maintenance.

The County's *Debt Management Policy* addresses when debt issuance will be utilized, stating that "only in those cases where public policy, equity and efficient use of limited resources favor debt over cash financing." The policy outlines the following criteria:

- a. Debt shall be self-supporting whenever possible. Self-supporting is the use of revenue bonds, special assessments, or other capital improvement charges. This may include dedicated tax revenue approved by the voters.
- b. Debt shall be primarily used to finance capital projects with a relatively long life expectancy (ten years or greater).
- c. Debt shall be issued in such a way so that the term of the financing does not exceed the useful life of the asset.

In conclusion, only major road projects, such as reconstructions, are eligible for debt financing, and a dedicated revenue source is required to repay the debt. Annual road maintenance is an operating expense that also requires a revenue source, and must be paid annually on a "pay-as-you-go" basis.

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