

MEMORANDUM

TO: Board of Trustees

THROUGH: Indra Winquest
District General Manager

FROM: Paul Navazio
Director of Finance

SUBJECT: Informational Item – Bond Issuance Timeline(s)

DATE: March 30, 2022

Staff has been requested to provide information to the Board of Trustees related to the process and timeline involved for the District to authorize and issue bonds, as well as information related to process and timing should the Board elect to place a measure before the voters prior to authorization of any bond financing.

This memo has been prepared to merely address this question. Staff is also planning on placing on a future agenda (April / May) a more extensive presentation on bond financing to cover topics including: a) pros and cons of debt financing vs. PAYGO, b) applicable legal and statutory framework, c) requirements for accessing the municipal bond market, d) alternative types of bonds, and f) alternative approaches to structuring a bond financings.

Timelines for Typical Bond Issuance

- A Board-approved financing plan should be in place prior to entering into formal contracts for design and construction of capital projects for which all or a portion of the funding is coming from bond proceeds.
- Bond proceeds are required to be spent within 3 years of issuance ^(*)
 - Because of this spending rule, may need to consider selling multiple series of bonds on large, multi-year projects that are expected, in advance, to require more than 3 years to complete.
 - Separate bond authorization is required to support each issuance of additional bonds required to support larger multi-year (3+ year) projects.

*Note: * Technical Rule is that 85% of the proceeds must be spent within 3 years and 100% spent within 5 years*

- A typical bond transaction can be expected to require 90-120 days to complete. (*Note: November – December holidays to be accounted for*).

- Following direction from the governing board, staff would take the lead on assembling the team of consultants needed to execute a bond deal the team will include:
 - Municipal Advisor (MA) that has a fiduciary duty to the District and also assists the District in preparing the financing plan, provides education and manages the bond team on behalf of the District.
 - Bond Counsel (legal specialist) who will develop all the required legal documents including the indenture of trust and the installment sale agreement, etc.
 - Disclosure Counsel (another legal specialist) - prepares all the disclosures including the preliminary and final official statements.
 - If the bonds are sold via negotiated public sale (*), the District will need to engage an Underwriter that has an “arms-length” relationship with the District and ultimately sells the bonds to investors. A competitive sale does not require the services of an underwriter.
 - If the sale type is a private sale, the District will engage the services of a Placement Agent that plays the same role as the Underwriter, but the obligation is placed directly to a commercial bank or other investor that purchases municipal bonds for their own account.
 - The District will also need to secure the services of a Bond Trustee which is a commercial bank that is a party to the legal documents, handles the investment of all funds and makes payments to bondholders.
- The bond financing team also ensures that all supporting documentation is prepared for review by the rating agencies and bond insurers (if needed depending upon the bond rating).
- For the issuance of Utility Revenue bonds, the District would likely need to have approved a multi-year rate study, and likely, have a Board-approved multi-year utility rate ordinance that authorizes all future rate increases required to support the proposed debt (including debt service payments and required net-revenue debt service coverage ratio).
 - Acknowledging that most utility rate adjustments are approved annually, bond documents will include a covenant whereby the governing board commits to ensuring that utility rate revenues are set each year sufficient to cover the requirements of the bonds and the documents will also include covenants requiring certain items for the issuance of future bonds.

- For general obligation bonds, the District is required to demonstrate that it has the tax revenue capacity sufficient to service the bonds and/or has the authority to set fees/rates sufficient to cover required debt service payments and net-revenue coverage ratios. General obligation bonds constitute a “promise to pay” from available District revenues.

Sample Bond Issuance Timeline(s):

Task / Deliverable	CONTRACT AWARD DATE(S)		
	May 2023	July 2023	March 2024
Bond Discussion / Primer	May '22	May '22	
Review of bonding capacity and market opportunities	Aug. / Sep. '22	Oct. / Nov ' 22	May / June '24
Initiate draft bond documents	Sep. / Oct. '22	Dec. / Jan '23	Jul. / Aug. '24
Project Descriptions / Cost / Schedules (90% design)	Oct. '22	Jan. '23	Aug. / Sep. '24
Bond Authorization - BOT	Nov. ' 22	Jan. '23	Oct. '24
BOT Approval of Utility Rate Adjustments (or Facility Fee Revenues w/Budget)	April '23 May '23	April '23 May '23	Apr. ' 23 or Jan. '24 May '23
Bond Issuance	April '23	June '23	April ' 24
Contract Award	May '23	July 23	March '24
Funds to be Spent / Committed	April ' 26	June '26	April ' 27

Consideration of Possible Ballot Measure:

Trustees have also inquired as to the timeline for placing a ballot measure before the voters prior to formal approval of bond authorization.

- Voter-approval is not required for Utility Revenue bonds
- Voter-approval MAY be sought for General Obligation bonds
- Consideration should be given to whether voters are being asked if they support the project(s) to be funded from bonds or if voters are being asked if they support use of bonds.
 - Utility projects are considered critical priorities and bond financing is likely required to deliver the projects.
 - Community Services and Beach priority projects MAY be candidates for gauging voter support; however, whether to fund projects through bonds or pay-as-you-go is more appropriately a decision of the governing board.
- Any ballot measure proposed by the District would likely appear on a General Election ballot (November of even-numbered years). Alternatively, a primary ballot in June of even number years (if conducted) is also an option.

- Ballot measures may generally be binding or advisory. Under the NRS, the former entails seeking voter-approval of a local resolution or ordinance submitted to the voters by the governing board. The latter (advisory measures) would likely require Washoe County agreeing to place an advisory measure on the ballot (per limitations imposed by NRS 295.2300). This issue is being further researched by legal counsel.