# NEVADA ISSUES

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## FINANCING NEVADA'S INFRASTRUCTURE

In 1994 the Association published the second Nevada Issues, *Financing Nevada's Infrastructure*. This Nevada Issues revisits that issue by reviewing current practices.

WHAT'S INSIDE:



## AN OVERVIEW

### DRIVING THE NEED FOR INFRASTRUCTURE

The most obvious component that drives the need for capital improvements is population growth. However, while growth is the most cited component, it is only one of many. Other drivers are: inflation: the deterioration of facilities and roads; functional or economic obsolescence; and federal and state mandates. The deterioration of roads can be attributed in great part to weather conditions, while functional obsolescence occurs when the road can no longer accommodate the amount of traffic; facilities including school buildings are subject not only to deterioration of the facilities, but also to functional and economic obsolescence which can include the lack of wiring to accommodate computer and wireless technology, and to federal and state mandates (i.e. additional standards for clean air and water with no funds provided).

### PROBLEMS IN FINANCING NEVADA'S INFRASTRUCTURE

Nevada governments have generally improved relative to planning for infrastructure needs. However, increased demands on the operating budgets which include but are not limited to citizen requests for expanding services and programs, federal mandates, court rulings, increased costs in funding retirement benefits and health care, or collective bargaining (and arbitration awards), have served to lessen the ability to use surplus revenue for infrastructure needs. Therefore normal maintenance of equipment and facilities replacement may be deferred. Increased demands for new infrastructure are frequently caught up in the political arguments of who should pay for growth. And while it can be seen from the tables beginning on page 10 that there are many mechanisms in place to fund capital needs from extraordinary maintenance and renovation to new construction, these sources may or may not be usable for a variety of reasons.

### FINANCING INFRASTRUCTURE DEBT

Capital improvements are financed by the sale of general obligation (GO) or revenue bonds. These bonds are respectively repaid from property tax and backed by the full faith and credit (the assessed value) of the issuing entity or from general or specific revenue sources such as sales tax or user fees. Additional financing methods have been legislatively authorized that include expanding the use of tax increment financing for certain capital projects (previously used only for redevelopment), expanding the use of impact fees, creating numerous local option sales taxes to fund specific infrastructure needs and expanding the use of lease purchases. *However, even with these additional funding sources, historically capital improvement requests have always exceeded the resources available; and it is a continuing trend.*

### IMPACTS ON INFRASTRUCTURE FUNDING

In addition to the ongoing problems identified above, there are other cost and revenue impacts. An unemployment rate almost a full percentage point below the national average has reduced the number of bids being received for many public works projects. Rising energy costs and shortages of construction material such as asphalt, steel, cement and oil have increased the cost of the projects, almost monthly in some cases. Also having an impact on available revenue are: (1) Nevada Public Employee Retirement system (PERS) which in 2003 required an increase in the rate of contribution to maintain the schedule of funding this liability and; (2) the unfunded liability associated with retired government employees health care benefits. Unknown at this time is the impact of the property tax abatement. The abatement imposed by the 2005 legislature (AB 489 and SB 509) caps property tax bills in most cases to a maximum increase of 3% for residential property and 8% for commercial property is too new to know what if any impact those caps will have on the issuance of GO bonds.

HISTORICALLY, CAPITAL IMPROVEMENT REQUESTS HAVE ALWAYS EXCEEDED THE RESOURCES AVAILABLE.

As of the time of this writing there are also two initiative petitions to amend the Constitution that appear to have qualified (signatures are currently being verified) and will appear on the November general election ballot. Each initiative contains provisions that negatively impact the financing of public works projects. The initiatives in question are for: a tax and spending limitation known as TASC (Tax And Spending Control); and restrictions on the use of eminent domain known as PISTOL (People's Initiative for Stopping the Taking of Our Land).

<u>TASC</u> - This initiative will have a major impact on funding infrastructure. The initiative creates an expenditure limitation based on the increase in population and CPI over the prior year. Revenue which exceeds the expenditure - - - surplus revenue - - - must be deposited, by formula, into an emergency relief account and a budget stabilization account. Any excess remaining after these deposits are made must be refunded to taxpayers.

*The problem is not with a potential refund for taxpayers, it is a problem because entities are precluded from considering the use of any portion of the surplus to fund extraordinary repairs, replacement or construction of capital assets unless approved by the voters.* This effectively limits the ability of governing bodies to fund capital replacements under the depreciation recognized by GASB 34 (see below) unless approved by the voters.

Additionally, there is also a negative impact on maintaining and building state roads and highways. While expenditures and revenue from the state highway trust fund have been excluded from the expenditure caps and calculation of surplus revenue, bonds issued for state roads and highways will now be subject to a vote of the people. This is problematic because under the provisions of TASC only one election a year can be held for tax or bond approval. According to the Federal Aid Highway Construction Price Index issued by the Federal Highway Administration during the first three quarters of 2005, construction costs for roads increased 36% over the same period as the prior year. Unfortunately, this trend is expected to continue into the foreseeable future.

*This provision creates a timing problem. Construction may be ready to start but the election may be six months to a year away. The delay caused by the election requirement will substantially increase the cost of building roads given the construction inflation increases which are occurring.*

It should also be noted that local government revenue and expenditures for transportation projects are subject to the cap presenting a further constraint on maintaining and building local roads.

“GOVERNMENT INFRASTRUCTURE IS A PUBLIC ASSET AND AS SUCH MUST BE MAINTAINED AND REPAIRED IN A TIMELY AND COST EFFECTIVE MANNER.”

Pistol (Eminent Domain) - This initiative petition is purported to be in response to the Kelo decision handed down by the U.S. Supreme Court last year. However, it goes considerably beyond the issue of government condemning property owned by one private party to give to another private party. It also ignores the fact the legislature began addressing this issue before that decision was handed down. The initiative contains a provision which requires government to allow the original owner of private property to buy back property taken by eminent domain if it is not used within five (5) years.

*This provision does not appear to impact projects to construct buildings, but it will present a substantive problem when it comes to assembling parcels of property for a major transportation or water project. These types of projects generally involve the need for assembling substantial right-of-way, which more often than not takes longer than 5 years to acquire and that does not consider the time needed for environmental statements. Potentially this provision could bring to a halt the building of many major transportation and water projects.*

GASB 45 - A number of governments including the State of Nevada and some political subdivisions subsidize the cost of health insurance for their retirees. This benefit has created significant unfunded liability in the form of required future payments of tax dollars. Various published sources have claimed the liability for the State of Nevada is four billion dollars. That sum does not include the liability for local governments in Nevada. Effective as of Fiscal Year 2007-2008 governmental entities are required to account for this cost either by: (1) Making annual payments to a trust established for this purpose in an amount representing the liability accumulated in that year plus an amount to pay off the previously accumulated liability in no more than 30 years; OR (2) Recording the entire liability in a compilation of their financial statements and accompanying footnotes.

*Any existing revenue used to start funding the liability will diminish the amount of revenue available for services, programs and public works. Failure to establish a plan to address this unfunded liability is expected to create a negative factor in rating bonds. If that occurs it would result in an increase in the revenue required to fund future bond issues for capital projects.*

GASB 34 - Effective beginning with Fiscal Year 2002 governmental entities are required to adopt accounting practices more closely resembling those of private industry including recording depreciation.

*However, it is still possible for a government to account for depreciation and yet not actually conduct a capital replacement program according to the useful life of their assets, potentially leaving a disproportionate share of the replacement cost to taxpayers in the future.*

## IN CONCLUSION

The need for planning, building and funding/financing infrastructure is a constant. Government infrastructure is a public asset and as such must be maintained and repaired in a timely and cost effective manner. New, expansion and replacement projects must also be planned and executed in a timely and cost effective manner.

While there is no proverbial *silver bullet* that will provide an instant solution, there are various steps that can be taken to better plan for these capital needs and improve the funding available. It won’t be done overnight, but it must be done. To start this dialogue with elected officials and other policy makers a series of recommendations have been developed by NTA staff. They appear on page 4.

# RECOMMENDATIONS

## GENERAL

*1. State and local governments should fully account for depreciation of assets.*

Governments like businesses can benefit from fully and accurately accounting for depreciation so that it can be used to guide and prepare a plan for actual expenditures for capital replacement.

*2. State and local governments should adopt policies providing for capital replacement programs according to the useful life of all capital assets and fund these assets before any expansion of public services is considered.*

Committing to capital replacement policies and programs is an efficient and cost effective way in which to maximize the use of taxpayer dollars. Additionally it avoids a disproportionate share and burden of the replacement cost being placed on future taxpayers.

*3. State and local governments must establish trusts for post-retirement health insurance costs with a corresponding plan for fully funding the trust.*

The failure to provide sufficient proof of a workable plan to fund this unfunded liability is expected to have a negative impact on bond ratings in the future and on future taxpayers.

*4. Post-retirement health insurance trusts need to be annually funded at levels necessary to fully account for these unfunded liabilities.*

See explanation under number three.

*5. Future hires should not receive post-retirement health insurance benefits.*

The costs of this benefit have escalated to such a degree that it will have a substantial impact on the ability of many governmental units to not only fund services, but infrastructure as well. Government employees at the retirement age of 65 are eligible for Medicare. Younger retirees would still have the ability to purchase health insurance at the State's group rate (something not available to private sector employees).

## STATE (INCLUDING TRANSPORTATION AND THE UNIVERSITY)

6. *Require all debt issued by State agencies to be reported to the State Treasurer for the purpose of creating a consolidated report of all State debt.*

This State Debt Report should include, but not be limited to, identification of each debt issuance by: the type and amount of issuance; the statutory authority for the issuance; the revenue source; the purpose; and the maturity date, etc. This would allow better evaluation with respect to debt liability both current and future, and would allow better debt planning.

7. *Require all State bond sales be conducted by the Board of Finance. Require the Board of Finance to establish the procedures f0r the retention of records by the Agency. States agencies presently authorized to sell state bonds would request the Board of Finance to conduct the sale.*

This would provide a clearing house that would allow for one central point to review the status of all state outstanding bonds. Further, this would allow for combining the sale of bonds which could reduce interest rates.

8. *Consider funding capital needs, including transportation projects, from a portion of the general fund surplus. This would minimize the use of property tax for bonds and improve schedules for the repair, refurbishing, replacement, and construction of capital assets.*

Since the State started financing state capital improvements with bonds retired by property tax, instead of the prior practice of utilizing the state surplus, the State has not only eroded most of the state's issuance capacity, but also the amount of the property tax rate available to local governments.

9. *Follow up on the discussions of last legislative session to provide a revenue stream through the use of unclaimed property proceeds to fund the infrastructure required to improve the scientific and technology research capabilities of the Desert Research Institute and Nevada's two universities.*

Providing a stream of revenue to target specific areas of research infrastructure to complement State and local development efforts is critical to diversifying Nevada's economy and tax base.

## Local Governments (Including School Districts)

10. *Amend the statutes to require that the creation of taxing districts and special assessment districts be approved only after an election, at which only the votes, whether they be yes or no are counted. Please note: The term election as used in reference to these districts is generally conducted by mailed ballot.*

Present law (NRS 271.305 and 318.065) provide that the creation of districts can be stopped by petitioners voting no. Residents who for whatever reason do not cast a vote are counted as voting yes.

11. *Provide that all local option sales tax levies which have been authorized for specific purposes expire after 30 years and if any portion of a local option sales tax is used to finance bonds, require that portion to expire upon the payment of the bonds.*

This recommendation mirrors provisions that exist for property tax levies. It would help assure that a portion of the sales tax rate could be "recycled" for other uses and that the total sales tax rate does not become so high that it leads to diminishing returns.

12. *Cease the use of specified local option sales taxes and create a specific "not to exceed" rate that counties and cities can use, with voter approval, to finance capital improvements, operations and maintenance.*

This would provide greater flexibility to local governments to address their capital needs, rather than the current system which is either an advisory vote and legislative authorization, or legislative authorization generally accompanied by an affirmative vote of the citizens for each specified purpose.

13. *Shorten the time frame for redevelopment districts from 45 years to no more than 30 years.*

The goals of a redevelopment district should be accomplished in a maximum of 30 years.

14. *Reevaluate the current statutory provisions for tax increment financing to better define uses of the increment (for example: redevelopment, infrastructure, economic development, etc.) as well as creating specific conditions to be met before the increment district can be created.*

Identifying specific uses of tax increment financing (i.e. redevelopment, infrastructure, and economic development) would allow different criteria and time frames to be established for each of the defined uses.

15. *Prohibit newly created redevelopment areas from receiving the operating increment that would otherwise accrue to schools.*

Currently only voter approved bond issues are exempt from inclusion in the tax increment. Given the needs of schools this should be extended to voter-approved pay-as-you-go levies and the operating rate for schools.

16. *Allow the school "rollover" rate which can only be voter approved for bond projects to also be used for "pay-as-you go" projects.*

There are many instances where a school district would be able to take care of refurbishing or extraordinary maintenance issues without issuing bonds. Allowing a district, with voter approval, to maintain the "roll-over" property tax rate to fund on a cash basis capital expenditures makes good sense.

17. *Use a portion of any surplus revenue in the Distributive School Account to establish a revolving loan fund to assist with the replacement of schools which because of age present safety and functional use problems.*

At various times school districts need to replace an aging school, but may be precluded from doing so because the property tax cap of $3.64 per $100 of assessed valuation precludes them from going to the voters. This would give them an additional resource. Methods of payment and payment schedules would also need to be developed.

# LAWS GOVERNING INFRASTRUCTURE FINANCING

## PRIORITIZING STATE'S CAPITAL NEEDS

The majority of state agencies and the University system submit the capital projects they would like considered to the Public Works Board. The staff of the Board then evaluates and ranks each request. The rankings are based an on extensive list of criteria that includes such considerations as Agency needs, compliance with the Americans with Disability Act, repair to an existing building vs. replacement of a building, employee safety considerations, etc.

A list of projects is then submitted to the Public Works Board. The Board holds a public meeting approximately 6 months prior to a legislative session to review and discuss the projects. The projects are then ranked by the Board and their recommendations are submitted to the Governor for his consideration and inclusion into the executive budget that will be presented to the legislature.

ARTICLE 9, SECTION 3 OF THE NEVADA CONSTITUTION LIMITS DEBT TO 2% OF THE STATE WIDE ASSESSED VALUATION AND EXEMPTS NATURAL RESOURCES FROM THE DEBT LIMIT.

The Board consists of the Director of the Department of Administration and six members appointed by the Governor. The duties of the Board are governed by NRS 341.

## NEVADA'S CAPITAL DEBT

State capital improvements are financed by appropriations generally paid from general or specific revenue sources or general obligation (GO) bonds which are backed by the "full faith and credit" of the State (the use of property tax). Until 1987, state capital improvements and any related debt service were financed only by general fund appropriations. Since that time the legislature has made extensive use of bonding paid for by property taxes.

Currently, 1.15 cents is levied for Question 1 and 15.85 cents for GO bonds totaling 17 cents per $100 dollars of assessed value. Of the 17 cents, 15 cents is within the combined property tax rate cap of $3.64 per $100 of assessed valuation and two cents is outside the cap.

Please Note: The GO debt associated with Question No. 1 - - - the preservation of various natural resources - - - is outside of the state debt limit. Currently, it is the only state property tax levy for debt that was put to the voters.

All State obligations for capital projects are subject to the provisions of NRS 349.

## OTHER STATE CAPITAL BONDS

In addition to State bonds specifically authorized by the Legislature, statutory authorization to issue bonds has been granted to some state agencies for public and local purposes as well as non-governmental purposes.

*Note:* State bonds which are statutorily authorized for non-governmental purposes are <u>not</u> general obligation bonds and therefore are not included in the State debt limit. Additionally, they are not issued with the full faith and credit of the State backing the bonds.

## STATE DEBT LIMITS

Article 9, Section 3 of Nevada's Constitution addresses the issuance of debt by the State. This article limits the amount of debt to 2 percent of the total assessed valuation of the state. It also exempts from the limit contracts *"for the protection of any of its property or natural resources, or for the purpose of obtaining the benefits thereof."*

## ISSUING DEBT

Local governments and the State usually contract with rating firms, bond counsel and financial consultants to assist with the sales of bonds.

*Continued on next page*

Bond counsel, typically retained by the issuing government under an independent contract arrangement, drafts the legal documents, confirms the authority for the government entity to issue the bonds, and opines regarding federal tax exemptions. Bond counsel also opines regarding exemption from applicable debt limitation if appropriate.

In addition financial advisors are also retained to publish and disseminate to potential investors the official statement containing financial and other information regarding the issuing government entity, to assist in obtaining a credit rating, and to help market the bonds to obtain the best bid or pricing providing the lowest cost of borrowing to the issuer.

### Nevada Bond Ratings

Nevada state bonds are currently rated AA+ by Fitch, Aa1 by Moody's and AA+ by Standard and Poor's. These ratings are reflected in the low interest rates of recent bond sales by the State. The ratings are only one notch below the highest rating issued - AAA.

> "Local government proposals to issue long term GO bonds must be submitted to the voters at a regularly scheduled general election."

## Financing Local Government's Infrastructure

### Local Government Securities Law

Most local governments, including school districts and some special districts, are subject to the local government securities law (NRS 350) when issuing GO bonds. The basic requirements include establishing a debt management policy, approval by Debt Management Commissions (DMC) and statutorily imposed voter notification and election procedures.

### Debt Management Policy

A debt management policy is required to be submitted by each local government to the Department of Taxation and the County Clerk. The policy is used by the DMC in its discussion of proposed GO bonds or GO backed revenue bond issues. With the growth experienced by many local governments and the increased need for infrastructure to accommodate that growth a number of local governments are at or near the combined property tax rate cap. This has led to the role of the DMC becoming increasingly important.

### Debt Management Commissions (DMC)

Each county is required to have a DMC. The composition of the Commissions is dependent on the size of the county. Commission meetings are required in February and August and other times as may be required by statute (based on the size of the county).

Before any proposal to issue GO bonds or GO backed revenue bonds is submitted to the electorate, the proposal must receive an affirmative vote of 2/3's of the Commission members. They must keep the total tax levy within the statutory maximum combined property tax rate of $3.64 per $100 of assessed value. They cannot approve any proposal that would exceed the property tax limit in any of the overlapping entities.

### Voter Notification and Elections

Local government proposals to issue long term GO bonds must be submitted to the voters at a regularly scheduled general election. Regularly scheduled general elections in an even-numbered year are held on the first Tuesday, after the first Monday in November and in an odd-numbered year is the first Tuesday after the first Monday in June. If a revenue bond is also backed by a GO (property tax) pledge and the local government determines that the revenue is sufficient to redeem the bond it need not be submitted to the voters for approval. A petition by 5% of the registered voters, who together with any corporate petitioners who own 2% or more of the assessed valuation, can force an election on a GO backed revenue bond (NRS 350.020) Publication of a notice to issue bonds must be made twice in the newspaper having the largest general circulation in the area and must start at least 22 days before the election.

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A sample ballot must be mailed to each registered voter prior to a general election. The notice must indicate the time and location of the election. If a GO bond question is to appear on the ballot the sample ballot must identify: the purpose of the bond; court orders or federal statutes that may be involved; the maximum dollar amount of the bond issue (except for school "rollover" bonds for which a tax rate, not principal amount is approved); the anticipated number of years the bonds will be issued for; an estimate of the tax levy to retire the bonds; and an estimate of the cost of operating the facility. If a tax rate for maintenance is proposed in conjunction with the bond sale, the operating rate must be identified separately on the ballot.

Sales tax questions for specific local funding purposes have appeared on general election ballots with increasing frequency. Generally these questions, whether for infrastructure (revenue bonds) or operating overrides, are "advisory" in nature. Historically, the legislature has authorized these "local options" only when an advisory vote is approved by the voters. In their approval, the legislature generally does not require a second vote of the electorate in the requesting jurisdiction, although if the local option is extended to other local governments a vote of the electorate by the other local entities is generally required.

> "STATUTORY DEBT LIMITS HAVE SELDOM BEEN A DETERRENT TO PROPOSED LOCAL GO BOND ISSUES; HOWEVER THE COMBINED PROPERTY TAX RATE CAP OF $3.64 PER $100 OF ASSESSED VALUATION HAS BEEN A DETERRENT. "

## LOCAL GOVERNMENT BOND LIMITS

Each type of government has a statutory limit on the amount of GO bonds that may be outstanding. These limits are expressed as a percentage of the most recent assessed valuation for property within the local governments jurisdiction. Some examples are: School Districts -15%, Counties - 10%, Cities (generally) - 20% (can vary from 10% to 40%), Airports 5%.

## IMPACTS OF BONDING LIMITS ON BOND ISSUANCE

Historically one of the most popular methods for funding infrastructure at a local level, particularly for school districts, has been the use of voter approved GO bonds (repaid with property tax). Nevadans have generally been supportive of this type of question when they believe the need exists and the governing entity has a proven track record of delivering what they promise.

Statutory debt limits have seldom been a deterrent to proposed local GO bond issues; however the combined property tax rate cap of $3.64 per $100 of assessed valuation has been a deterrent. As of the fiscal year beginning on July 1, 2006 there are 23 local governments including two counties (Mineral and White Pine) at the cap. Therefore these entities are precluded from going to the voters to increase their property tax rate and must look to other revenue sources.

Special obligation bonds can be issued without an election. Medium term financing (10 years or less) even if GO bonds are to be issued requires a super majority of the governing board and approval from the Nevada Department of Taxation. They are not subject to voter approval. A 1965 Attorney General opinion indicates bond proceeds may not be used for the purchase of school buses.

The property tax abatement - - -caps of a maximum 3% or 8% on most property tax bills - - - approved by the 2005 Legislature (AB 489 and SB 509) is too new to know what if any impact it will have on the issuance of GO bonds. It remains to be seen what if any GO bond issues will appear on this November's general election ballot, and whether the question will ask for the debt to be outside the abatement cap.

Because of the amount of revenue that can be raised by relatively small rate increases many cities and counties have gone to their electorate for approval of a local option sales tax, generally up to 1/4 of 1%, to fund a specific infrastructure project, such as roads, flood control, waste and water treatment, etc.

## Statutory Cites for Infrastructure Financing

This section provides the following tables which outline the statutory provisions available to State and local governments to finance various types of infrastructure.



**Notes about the Following Tables**:

1. The dollar amounts shown as "Amount Issued" in the tables on State bonds are as of June 2, 2006 unless otherwise noted.

2. The state financing of non-governmental purpose (private activity) bonds does not constitute a debt of the state.

3. In the tables listing local government financing authority, the same statutory cite may be listed under multiple headings to better reflect the different types of infrastructure that a funding mechanism is authorized for.

### Disclaimer

This publication is not meant to be a legal authority for the information contained herein. Any person desiring to use the statutory provisions identified in the following tables should consult with their attorney, financial advisor or bond counsel.

## STATE BONDS ISSUED FOR STATE PURPOSES - STATUTORILY AUTHORIZED

| NRS CITATIONS AND PURPOSE | AGENCY RESPONSIBLE | FINANCING MECHANISMS | AMOUNT ALLOWED AMOUNT ISSUED | MISCELLANEOUS |
|---|---|---|---|---|
| Chapter 349<br>State Securities Law.<br>General authority for issuance of State bonds (provides procedure for issuance of bonds otherwise authorized) | State Board of Finance | Legislative appropriations or authorization of property tax levy for State debt service; currently 17 cents per $100 of assessed valuation subject to property tax abatement cap passed by 2005 Legislature. Of the 17 cent levy, 2 cents is outside the $3.64 property tax cap. | Projects individually authorized by Legislature.<br>- - - - - - - - - - - - - - - - -<br>$1,027,143,057 currently outstanding after deducting "self-supporting" GO debt paid by sources other than state property tax. | Of the $1,440,320,000 outstanding amount, $914,175,000 is subject to Constitutional debt limit of 2% of total assessed valuation. The limit is $1,743,735,000 for FY2006, leaving $829,560,000 remaining debt capacity as of 6/2/2006. |
| 353<br>Installment Purchase and Lease Purchase Agreements | Legislative Approval Review by Chief of Budget Division, State Land Registrar and State Treasurer Approval by Board of Finance. | • Lease purchase agreements with "funding out" clause (no obligation for Legislature to appropriate money for the lease purchase payments) not subject to State debt limit.<br>• Certificates of participation permitted if Treasurer recommends and the Board approves. | No new projects authorized by the Legislature for the current biennium.<br>- - - - - - - - - - - - - - - - - -<br>$43,985,000 outstanding | • Governor must execute agreement.<br>• Does not require competitive bidding.<br>• Exempt from property tax if state or state agency is in possession of property. |
| 396.809<br>University Securities Law<br>Nevada System of Higher Education bonds for capital improvements. | Board of Regents | Revenue bonds paid with designated net pledged revenues (student fees and other permissible University System revenues). | Legislature limits principal amounts to $276,885,000 for UNR, $339,055,000 for UNLV (of which $35,000,000 may be used for Dental School).<br>Up to $20,000,000 for CCSN parking, and $10,000,000 for residence hall at WNCC.<br>- - - - - - - - - - - - - - - - -<br>$286,410,000 outstanding as of September 2005. | • Not included in State debt limit.<br>• Maturity not to exceed 50 years.<br>• In addition, State GO bonds may be authorized by the Legislature as part of the State's capital improvement program. |
| 408.273<br>Highway Construction | Department of Transportation/Board of Finance | Revenue bonds issued by State Board of Finance paid by Federal highway grants and State highway taxes. | No statutory limit.<br>- - - - - - - - - - - - - - - - -<br>$541,680,000 outstanding. Another $335,000,000 expected to be issued by November 2007. | • Limited to 20-year term<br>• Special obligation revenue bonds not included in State debt limit.<br>• Currently only 10 year bonds have been issued. |
| NRS 538 and Special Acts (Chapter 268, 1967 and Chapter 482, 1975 as amended) for Colorado River | Colorado River Commission and Southern Nevada Water Project in cooperation with State Treasurer | State GO/revenue bonds paid by water and power sales. Also, special obligation bonds payable with revenues may be issued. | Projects individually authorized by Legislature or Interim Finance Committee.<br>- - - - - - - - - - - - - - - - -<br>$282,975,000 outstanding. | Exempt from State debt limit as a natural resources. |
| Special Legislative Acts in 2001 and 2003 for construction and renovation of fish hatcheries | Board of Finance upon request of Wildlife Division of Department of Conservation and Natural Resources | State G. O./revenue bonds or revenue bonds. | $17.5 million authorized.<br>- - - - - - - - - - - - - - - - -<br>$16.595,000 outstanding. | • Exempt from State debt limit as a natural resource.<br>• To be repaid with trout stamp revenues but considered non-self-supporting. |

## STATE BONDS ISSUED FOR LOCAL PURPOSE - STATUTORILY AUTHORIZED

| NRS Citations and Purpose | Agency Responsible | Financing Mechanisms | Amount Allowed<br>Amount Issued | Miscellaneous |
|---|---|---|---|---|
| 350A.150<br>Municipal Bond Bank | State Treasurer and Board of Finance | Proceeds from sale of State bonds by Board of Finance are used to purchase local natural resource related bonds. Bonds may be GO or revenue. | $1.8 billion maximum principal amount.<br>- - - - - - - - - - - - - - - - -<br>$831,560,000 outstanding. | • Exempt from State debt limit.<br>• Used for Natural Resource purposes. |
| 349.935 -349. 961<br>Water Projects | Board for Financing Water Projects and Director Department of Business and Industry/Board of Finance | State GO/revenue bonds or revenue bonds. | $200 million issuance limit prior to 6/1/2003.<br>- - - - - - - - - - - - - - - - -<br>None outstanding. | • Exempt from State debt limit.<br>• Only Refunding authorized after 8/2003. |
| 349.980– 349.987<br>Matching grants to public water systems for costs of capital improvements necessitated by Federal Safe Drinking Water Act | Board for Financing Water Projects and Board of Finance | State GO bonds paid by State Bond Interest and Redemption Fund (State property tax levy). | $125,000,000 issuance limit.<br>- - - - - - - - - - - - - - - - -<br>$46,025,000 outstanding. | • Exempt from state debt limit.<br>• Proceeds granted to publicly owned local water systems.<br>• No repayment by local water system to State required. Local match on sliding scale. |
| 445A.155<br>Water treatment and pollution control revolving fund | Approval of the Director of Conservation and Natural Resources & Department of Administration and State Treasurer | • Loans, debt purchase, guarantee, or insurance for local obligations.<br>• State GO or revenue bonds repaid with local revenue. | No statutory limit.<br>- - - - - - - - - - - - - - - - -<br>$104,655,000 outstanding. | Exempt from State debt limit. |
| 445A.255<br>Projects for water to comply with Safe Drinking Water Act revolving fund | Division of Environmental Protection & Board for Financing Water Projects | • Loans, debt purchase, guarantee, or insurance for local obligations.<br>• State GO or revenue bonds repaid with local revenue. | No statutory limit.<br>- - - - - - - - - - - - - - - - -<br>$13,885,000 outstanding. | Exempt from State debt limit. |

## STATE BONDS ISSUED FOR AUTHORIZED PRIVATE ACTIVITY - STATUTORILY AUTHORIZED

| NRS CITATIONS AND PURPOSE | AGENCY RESPONSIBLE | FINANCING MECHANISMS | AMOUNT ALLOWED<br>AMOUNT ISSUED | MISCELLANEOUS |
|---|---|---|---|---|
| 319.270<br>Mortgage loans for affordable housing and improvement of mobile home rental sites | Department of Business & Industry - Housing Division & the State Board of Finance | Revenue bonds paid by project income. | $5 billion limit of which $100 million must be allocated to qualifying veterans.<br>- - - - - - - - - - - - - - - -<br>$982,587,999 outstanding ( 9/1/2005) | Under federal law may or may not be tax-exempt. |
| 349.570<br>Financing industrial development and Private activity. | Department of Business & Industry and the State Board of Finance. Also city or county approval under NRS 244A or NRS 268. | Special limited obligation revenue bonds. | No statutory limit. Subject to federal law and department regulations.<br>- - - - - - - - - - - - - - - -<br>$1,005,552,000 issued since 1982 - Largest issues are $649 million Las Vegas Monorail and $50 million Nevada Cancer Institute. (9/1/2005) | Where applicable, private activity bond caps established under federal law and allocated between State and local government under NRS 348A. Note: Monorail and Cancer Institute bonds are NOT among bonds subject to federal cap. |
| 349.830<br>Economic development for exportation | Department of Business & Industry and the State Board of Finance | Revenue bonds not State guaranteed | $50 million issuance limit.<br>- - - - - - - - - - - - - - - -<br>None outstanding. | Per NRS 349.830 these bonds “do not constitute indebtedness of the state under statute or constitution.” |
| 349.919<br>Economic development-venture capital | Department of Business & Industry and the State Board of Finance | Special limited obligation revenue bonds. | $100 million issuance limit.<br>- - - - - - - - - - - - - - - -<br>None outstanding. | Per NRS 349.830 these bonds “do not constitute indebtedness of the state under statute or constitution. |

## PUBLIC SCHOOL (K-12) INFRASTRUCTURE

| NRS CITATIONS AND PURPOSE | AVAILABLE TO | FINANCING MECHANISMS | CREATION AND APPROVAL | MISCELLANEOUS |
|---|---|---|---|---|
| 387.335, 387.400<br>Construction, purchase, remodeling, furnishing and equipping school facilities | School districts | GO bonds paid with property tax. | Voter approval required. | Debt limited to 15% of the District's total assessed valuation. |
| 387.328<br>School Capital Projects Fund | School districts | Pay-as-you-go or GO bonds additionally secured by revenues. Allows a portion of the Governmental Services Tax to be placed in Fund. | By resolution of school trustees with approval of Department of Taxation. | Accumulation of funds not to exceed 20 years.<br>Clark County also allows portion of Room Tax and Real Property Transfer Tax to be placed in Fund. |
| 387.3285<br>Construction, renovation, replacement of facilities | School districts | • Pay-as-you-go<br>• up to 75 cents per $100 of assessed value in districts under 25,000 pupils<br>• up to 50 cents per $100 of assessed value in districts over 25,000 pupils. | Voter approval required. | Duration of approval limited to 20 years. |
| 387.331<br>Residential construction tax for capital projects | School districts under 50,000 population | Residential Construction Tax up to $1,600 per unit. | • Request by school board<br>• Approval by county commission<br>• Approval by Nevada Tax Commission<br>• Authorized for a period of 4 years and may be extended. | • Douglas County $1,600 county-wide<br>• Storey County $500 county-wide<br>• Lyon County $1,600 county-wide<br>• Nye County $1,600 in Pahrump only. |
| 387.333<br>Fund to Assist School Districts in Financing Capital Projects | School districts meeting requirements for need and financial hardship | Grants, loans, guarantees, or debt purchase for school districts. | Approval required from Director of Department of Administration, verification by Department of Taxation and Public Works Board. | Fund depleted as of 11/2005. White Pine County received $10.3 million; Lincoln County received $6.1 million. |
| 318.136 to 318.139<br>Provide facilities or transfer | Special school districts or joint school districts if population is less than 33,000 | Pay-as-you-go. | Created by county commissions.<br>Voter approval required. | Never used. |
| 350.020<br>"Rollover" property tax financing | School districts | GO bonds paid with property tax. | Voter approval required to maintain all or part of the existing school debt levy. Bonds can only be issued during the 10 years following voter approval. | Debt service reserve required for "rollover" to lesser of one year's P&I or 10% of outstanding debt. |
| 350.087<br>Medium Term Financing or Installment Purchase | School districts and other local governments | • Medium term instruments maturing from 1 to 10 years.<br>• Installment purchases from 10 to 30 years must be shown to be less expensive than bonding. | By resolution of 2/3's of governing board with approval of Department of Taxation. | May be paid by any source legally available to issuing entity. |
| 354.574<br>Short term financing for capital improvements | School districts and other local governments | Notes and warrants maturing within one year. | Board of School Trustees approval. | No other approval required. |
| 354.6105<br>Fund for extraordinary maintenance, repair or improvement of capital projects. | School districts and other local governments | • Pay- As-You-Go.<br>• Revenue may be any source legally available to the entity | • By resolution of local government.<br>• Must comply with the procedures in NRS 354.6212 to establish the fund. | Extraordinary maintenance, repair or improvement defined an expense incurred not more than once every five years. |

## PUBLIC SCHOOL (K-12) INFRASTRUCTURE - CONTINUED

| NRS CITATIONS AND PURPOSE | AVAILABLE TO | FINANCING MECHANISMS | CREATION AND APPROVAL | MISCELLANEOUS |
|---|---|---|---|---|
| 354.6113<br>Fund for construction of capital projects | School districts and other local governments | • Pay- As-You-Go.<br>• Revenue may be any source legally available to the entity | • By resolution of local government.<br>• Must comply with the procedures in NRS 354.6212 to establish the fund. | The annual budget and audit report must detail the projects and the amount of money that will be deposited the following year. |
| 354.6115<br>Fund to stabilize operation of local government and mitigate effects of natural disaster | School districts and other local governments | • Pay-As-You-Go<br>• Revenue may be any source legally available to the entity | • By resolution of local government.<br>• Must comply with the procedures in NRS 354.612 to establish the fund. | • A formal declaration of natural disaster must be issued by governing body.<br>• May be used for repair or replacement of public assets. |
| 354.750<br>Lease or installment purchase of capital improvements | School districts in conjunction with one or more other local governments | Leases, installment agreements, certificates of participation. | • Governing board may authorize.<br>• Requires determination by local governments that each will benefit from economies of scale in financing. | Not currently in use by any local governments. Allows borrowing for operations if P&I does not exceed 85% of revenue anticipated during term of financing. |
| 377B<br>School Infrastructure | School Districts in Counties under 100,000 population. | • 1/4 % Local Option Sales Tax.<br>• General or special obligation bonds and notes. | • Taxes authorized by Legislature, but imposed by 2/3s vote of County Commissioners.<br>• Proceeds deposited to county infrastructure fund. | • 1/4 percent authority shared with other projects under 377B.<br>• County not school district issues bonds.<br>• Cannot be used for operations or maintenance. |

## CITY, COUNTY, TOWN & IMPROVEMENT DISTRICT MULTI-PURPOSE INFRASTRUCTURE

| NRS CITATIONS AND PURPOSE | AVAILABLE TO | FINANCING MECHANISMS | CREATION AND APPROVAL | MISCELLANEOUS |
|---|---|---|---|---|
| 244A, 266, 268, 269, 271<br>Buildings, flood control, parks, streets, water projects, transportation projects, fair and recreation projects, economic development, electricity generation, 911, swimming pools. | Counties, cities, towns, fair and recreation boards | • GO bonds repaid with property taxes.<br>• Revenue bonds repaid with user fees; project revenues; dedicated taxes. | Voter approval required for GO bonds supported by property taxes. | Debt limit:<br>• counties 10%<br>• county lending projects 15%<br>• cities generally 20% of assessed value<br>• chartered cities 10% to 40% of assessed value |
| 271.265<br>Local Improvement Districts curbs, gutters, drainage, off-street parking, over/under passes, parks, storm/sanitary sewer, security walls, sidewalks, streets, water, weeds, transportation, electric, telephone, commercial revitalization project | Counties, cities, towns | • Assessments, fees based on benefit.<br>• No GO bonds.<br>• Special Assessment bonds. | • Created by county commissions or petition by property owners.<br>• Property owners in district may petition to halt the district if they are paying more than half of the cost. | • If all property owners agree in writing (NRS 271.710), provisions for notice, hearings, etc., are waived.<br>• Maintenance assessments may be for extraordinary maintenance only. |
| 278B<br>Capital Improvements Necessitated by New Development. Limited to Drainage; Fire Stations' Police Stations; Parks; Sewer Project; Streets; or Water Project; | Counties and cities | • Impact Fees<br>• Based on assessments against property to be used to pay bonds. Maximum fee is total cost of project divided by number of units. | Local government required to post notice of intent, hold public hearing and adopt capital improvement plan. | Cannot be used for operations or maintenance. |

| NRS CITATIONS AND PURPOSE | AVAILABLE TO | FINANCING MECHANISMS | CREATION AND APPROVAL | MISCELLANEOUS |
|---|---|---|---|---|
| NRS 278C<br>Drainage, flood control, over/under passes, sewer, streets, water projects | Counties and cities | • Property Tax Increment Revenue bonds and GO-revenue bonds.<br>• Project net revenue must be dedicated to debt service for allowed capital projects. | Governing body creates tax increment area subject to public notice and hearing requirements. | • Tax revenue not subject to106% property tax revenue limit ( NRS 354.59811).<br>• Projects are as defined in NRS 244A and 268.<br>• Voter approved debt, overrides, school operating rate not subject to increment mechanism.<br>• Revenues limited by revenues paid into other increment areas.<br>• No operating costs allowed. |
| 279<br>Redevelopment and Urban Renewal | Counties and cities | • Property Tax Increment Financing<br>• GO or revenue bonds; appropriation from local government; property taxes; incremental revenue from district; or combination of all. | Created by ordinance by local government after notice to property owners and hearings.<br>• Voter approval not required. | • Agencies created prior to 7/1/1987 expire upon final bond maturity.<br>• Those created after 7/1/1987 expire in 30 years.<br>• In 1997 the law was changed to allow districts to exist for 45 years. |
| 308.020<br>Special Districts Control Law Includes General Improvement Districts | Counties | Requires a service plan which contains the means of financing. | Applies to districts created by county commissions without voter approval. Service plan must be adopted and must be noticed and public hearing held. | Enacted to stop proliferation and fragmentation of local government. |
| 309<br>Improvement Districts for power, water, sewer | Counties | GO bonds or revenue bonds | Created by petition of majority of property owners in district to county commission. | • Cannot be used to organize new districts after 1967.<br>• Some districts may still be operating under this act. |
| 318<br>General Improvement Districts for: health, safety, prosperity, security, general welfare, to acquire, improve maintain facilities for light and power, insect control, public cemeteries, swimming pools, television, streets, alleys, curbs, gutters, sidewalks, storm drains, sewers, street lights, garbage collection, recreation facilities, water facilities, fencing, fire protection, heating, emergency medical services, species preservation | Counties | • Bonds issued under provisions of NRS 350 may include GO bonds, revenue bonds, special assessment bonds.<br>• Short and medium term financing also available. | •District created by County Commissions. May exist in perpetuity. Voter approval required for GO bonds.<br>• Creation may be halted by majority "no" petition of entities in district. | • GO bond debt limit is 50% of assessed valuation of district.<br>• No limit on other types of debt. |
| 350.087<br>Medium Term Financing or Installment Purchase | Local governments | • Medium term bonds or notes maturing from 1 to 10 years<br>• Installment purchases 30 years or less. | By resolution of 2/3's of governing board; approval of Department of Taxation. | • May be paid by any legal revenue source available to entity.<br>• Installment purchases must be less expensive than bonds. |
| 350.574<br>Short Term Financing for Capital Improvements | Local governments | Notes and warrants maturing within one year. | Local governing board. | Other approval not required. |

## CITY, COUNTY, TOWN & IMPROVEMENT DISTRICT MULTI-PURPOSE INFRASTRUCTURE - CONTINUED

| NRS CITATIONS AND PURPOSE | AVAILABLE TO | FINANCING MECHANISMS | CREATION AND APPROVAL | MISCELLANEOUS |
|---|---|---|---|---|
| 354.59815<br>Capital Projects | Counties, shared with cities and towns | Up to 5¢ per $100 of assessed valuation. Must be used within 10 years. Medium term financing permitted. | Local governing board. Voter approval not required. | • Apportioned to cities based on Supplemental sales tax (SCCRT) distribution.<br>• Rate reduction requires approval of each city receiving a share. |
| 354.59817<br>Capital Improvements | Counties, shared with cities and towns | Pay-as-you-go up to 15¢ per $100 of assessed valuation. | Voter approval required for each specific project. | • Ten-year limit on duration of tax.<br>• Apportioned to cities based on SCCRT distribution. |
| 354.6105<br>Fund for extraordinary maintenance, repair or improvement of capital projects. | Local governments, including school districts | • Pay- As-You-Go.<br>• Revenue may be any source legally available to the entity | • By resolution of local government.<br>• Must comply with the procedures in NRS 354.612 to establish the fund. | Extraordinary maintenance, repair or improvement defined as an expense incurred not more than once every five years. |
| 354.6113<br>Fund for construction of capital projects | Local governments, including school districts | • Pay- As-You-Go.<br>• Revenue may be any source legally available to the entity | • By resolution of local government.<br>• Must comply with the procedures in NRS 354.612 to establish the fund. | The annual budget and audit report must detail the projects and the amount of money that will be deposited the following year. |
| 354.6115<br>Fund to stabilize operation of local government and mitigate effects of natural disaster | Local governments | • Pay- As-You-Go.<br>• Revenue may be any source legally available to the entity | • By resolution of local government.<br>• Must comply with the procedures in NRS 354.612 to establish the fund. | • A formal declaration of natural disaster must be issued by governing body.<br>• May be used for repair or replacement of public assets. |
| 354.750<br>Lease or installment purchase of capital improvements/borrowing | Local governments in conjunction with one or more other local governments, including school districts | Leases, installment agreements, certificates of participation. | • Governing board may authorize.<br>• Requires determination by local governments that each will benefit from economies of scale in financing. | Not in use by any local governments. |
| 377B and 377A<br>Sales tax for Infrastructure of water and wastewater facilities; flood control; public safely facilities; cultural and historic facilities; school capital construction; parks, libraries, senior centers, protection of agriculture. | Counties- varies based on population considerations | • General or special obligation bonds and notes.<br>• Security can include proceeds of special sales taxes and/or revenue generated from projects. | • Depending on infrastructure facility voter approval may or may not be required.<br>• Governing board imposes voter approved sales tax rate by ordinance.<br>• Non-voter approved sales tax rate must receive 2/3's vote of County Commissioners. | See bottom of this page to page 20 under specific infrastructure heading for details. |
| No Statutory Authority<br>Exaction Fees (Also represented as an impact fee by local governments.) | Any government requiring prior approval for construction. | Whatever the developer or other payer agrees to with the local government. | • Planners maintain they have a valid exercise of police powers.<br>• In 1993 Legislative legal counsel questioned the legal authority to impose fees not mentioned in statute. | |

## AIRPORT INFRASTRUCTURE

| NRS CITATIONS AND PURPOSE | AVAILABLE TO | FINANCING MECHANISMS | CREATION AND APPROVAL | MISCELLANEOUS |
|---|---|---|---|---|
| 377A.020 & statutes of Nevada 1999 pg. 81<br>Airports | All Counties except Clark and Washoe | • Sales Tax<br>• Go/revenue bonds | Voter approval required. County Commission imposes by ordinance. | |
| 495.010<br>Airports<br><br>*Also see Special Acts, pages 19-20.* | Counties and cities | • GO bonds paid by property taxes.<br>• GO/revenue bonds paid by fees, charges, other airport revenue. | • For airports created or acquired by governing body.<br>• Voter approval required for GO bonds paid by property tax. | |

## CONVENTION CENTERS AND FAIR & RECREATION BOARDS INFRASTRUCTURE

| NRS CITATIONS AND PURPOSE | AVAILABLE TO | FINANCING MECHANISMS | CREATION AND APPROVAL | MISCELLANEOUS |
|---|---|---|---|---|
| 244A<br>Fair, recreation, convention boards and authorities, plus the following Special Acts:<br><br>*Also see Special Acts,- pages 19-20.* | Counties | GO, GO/revenue and revenue bonds. | • Governing board may approve revenue bonds.<br>• Voter approval required for GO bonds. | • Las Vegas debt limit 5% of assessed valuation if property tax is levied.<br>• Other counties 3% to 10% of assessed valuation if property tax is levied.<br>• Room tax most common source of bond payment. |

## HOSPITAL INFRASTRUCTURE

| NRS CITATIONS AND PURPOSE | AVAILABLE TO | FINANCING MECHANISMS | CREATION AND APPROVAL | MISCELLANEOUS |
|---|---|---|---|---|
| 450.290<br>Hospitals and Hospital District.<br><br>*Also see Special Acts pages 19-20.* | Counties | GO bonds paid by property tax; GO/revenue bonds paid by fees & charges. | Created by county commissions with voter approval required for GO bonds paid by property tax. | Debt limit is 10% of assessed value. |

## LIBRARIES, PERFORMANCE, RECREATION & LEISURE FACILITIES

| NRS CITATIONS AND PURPOSE | AVAILABLE TO | FINANCING MECHANISMS | CREATION AND APPROVAL | MISCELLANEOUS |
|---|---|---|---|---|
| 379<br>Library Districts | • Counties, cities, towns<br>• permitted in Clark County for consolidated districts | Property tax for operations and GO bonds. | • Districts created by county commissions or city councils.<br>• Petition by owners of 10% or more of property required for county district; if 10% or more protest, election is required.<br>• Cities may create districts without election or petition. | • Debt limit is 10% of assessed valuation for county or consolidated districts.<br>• Bonds used for books and equipment must be paid within 5 years of issuance. |
| 244A.800, 244A.850 and Chapter 15 of the 20th Special Session | • Wahoe County - Stadiums<br>• Clark County - Culinary training facility and performing arts center. | • Car Rental Tax of up to 2%.<br>• Revenue bonds payable from tax and/or project revenues. GO/revenue bonds permitted. | Ordinance establishing tax approved by County Commission. | • Tax may be used for operating.<br>• In Clark County first $3 million is earmarked for design or construction of Culinary training facility. |
| 271A<br>Chapter 477, 2005<br>art, tourism, entertainment projects, major league sports stadiums | Counties, cities, towns | • Sales Tax Increment<br>• Revenue bonds only.<br>• Secured by no more than 75% of the incremental sales tax revenue from the district. | Tourism district created by governing body under certain conditions; county commission must hear and agree; appeal of adverse decision may be made to Tourism Commission and Governor. | Agreements among involved governmental entities and property owners within district are permitted to facilitate provision of government services. |
| 377A.020<br>Libraries, recreational and senior citizen facilities | All Counties except Clark and Washoe | • Sales Tax<br>• Go/revenue bonds | • Voter approval required.<br>• County Commission imposes by ordinance. | • Duration of tax may not exceed 30 years.<br>• Proceeds can also be used for maintenance and operations |

## PARKS & OPEN SPACE INFRASTRUCTURE

| | | | | |
|---|---|---|---|---|
| 244A.785<br>Park Districts Capital Improvements and Maintenance | Clark County | Residential construction tax; property tax; GO bonds. | • Created by county commission.<br>• Voter approval required to modify district or for bonds or property tax. | Debt limit 10% of assessed valuation. |
| 278.4943<br>Park Impact Fees - for acquisition and construction | Counties and cities | Tax on residential construction of 1% of building permit or $1,000 per unit. | Developer may set aside land. Adopted by ordinance of governing body. | • Credit against amount due is allowed if land is set aside<br>• Cannot be used for operations or maintenance. |
| 278B<br>Impact Fee - Park Projects | Counties and cities | Assessments against property to be used to pay bonds. Maximum fee is total cost of project divided by number of units. | Local government required to post notice of intent, hold public hearing and adopt capital improvement plan. | Cannot be used for operations or maintenance. |
| 376A<br>Open Space Plan | All counties except Clark | 1/4% sales tax plus 1 cent property tax in Washoe County. | • Open Space Plan created by county commissions subject to approval by Regional Planning Commissions and city councils.<br>• Voter approval required for sales tax and property tax. | Open Space Plan limited to 20 years. |
| 377A.020 & Statutes of Nevada 1999 pg. 81<br>Parks | All Counties except Clark and Washoe | • Sales Tax<br>• Go/revenue bonds | • Voter approval required.<br>• County Commission imposes by ordinance. | • Duration of tax may not exceed 30 years.<br>• Proceeds can also be used for maintenance and operations |

## PUBLIC SAFETY (FIRE, POLICE) INFRASTRUCTURE

| NRS CITATIONS AND PURPOSE | AVAILABLE TO | FINANCING MECHANISMS | CREATION AND APPROVAL | MISCELLANEOUS |
|---|---|---|---|---|
| 278B<br>Impact Fees - Fire Stations Police Stations | Counties and cities | • Assessments against property to be used to pay bonds.<br>• Maximum fee is total cost of project divided by number of units. | Local government required to post notice of intent, hold public hearing and adopt capital improvement plan. | Use of proceeds for operations and maintenance prohibited. |
| 474.220<br>Fire Districts | Counties | Property tax for operations and GO bonds. | • State Forester Fire Warden must determine feasibility.<br>• Districts created by county commissions if feasibility approved.<br>• Voter approval required for fire District. | • District created for seeking federal assistance. Generally used in rural and unincorporated areas.<br>• Debt limits are 5% of assessed valuation. |
| 473.060<br>Fire Protection District | Counties | Negotiable coupon bonds not to exceed $50,000. | Voter approval NOT required. | • Generally used in rural and unincorporated areas.<br>• Debt limit is $50,000. |
| 280<br>Metropolitan Police District | Clark and Washoe counties | GO bonds paid by property tax; lease purchase; medium term financing. | • Voter approval required for bonds.<br>• All debt requires consent of county and city participating. | • Debt limit is 10% of assessed valuation.<br>• Exempt from 106% property tax revenue cap. |

## Transportation Related Infrastructure

| NRS CITATIONS AND PURPOSE | AVAILABLE TO | FINANCING MECHANISMS | CREATION AND APPROVAL | MISCELLANEOUS |
|---|---|---|---|---|
| 278.710<br>Transportation Impact Fee | Counties | •The following fees are per residential unit and per square foot for commercial development respectively.<br>• On or after:<br>7/ 1/2005 up to $600 & 65¢<br>7/1/2010 up to $700 & 75¢<br>7/1/2015 up to $800 & 80¢<br>7/1/2020 up to $1,000 & $1.00 | • Requires voter approval to implement fees.<br>• Ballot question on fees may be combined with 1% room tax for transportation projects (NRS 244.3351). | Tax must be paid before certificate of occupancy can be issued.<br>Note: Prior to July 1, 2003 the rate was: Up to $500 per individual residential unit and 50¢ per square foot for commercial development. |
| 278B<br>Streets | Counties and cities | • Impact Fee assessments against property to be used to pay bonds.<br>• Maximum fee is total cost of project divided by number of units. | Local government required to post notice of intent, hold public hearing and adopt capital improvement plan. | Use of proceeds for operations and maintenance prohibited. |
| NRS 278C<br>Roads, Over & under Passes | Counties and cities | • Property Tax Increment Revenue bonds and GO-revenue bonds.<br>• Project net revenue must be dedicated to debt service for allowed capital projects. | Governing body creates tax increment area subject to public notice and hearing requirements. | • Tax revenue not subject to106% property tax revenue limit ( NRS 354.59811).<br>• Voter approved debt, overrides, school operating rate not subject to increment mechanism.<br>• Revenues limited by revenues paid into other increment areas.<br>• No operating costs allowed. |
| 373.030, 373.065, 278, 278B, 377A.080<br>Regional Transportation Commissions - Mass Transit, Road Construction and Maintenance | Counties | • Revenue bonds only if financed by fuel taxes and fees.<br>• GO/revenue bonds permitted if secured by other designated sources.<br>• Local option fuel taxes available for funding. | • RTC's created by county commissions<br>• Voter approval NOT required for revenue bonds. | • Legislature has mandated 4¢ local option fuel tax and allowed an additional 5¢ to be imposed without a vote of the people.<br>• Legislature has provided additional authority to Clark and Washoe Counties for various funding mechanisms. |

## Water Facilities (Flood Control, Water, Waste Water, Solid Waste Disposal) Infrastructure

| NRS CITATIONS AND PURPOSE | AVAILABLE TO | FINANCING MECHANISMS | CREATION AND APPROVAL | MISCELLANEOUS |
|---|---|---|---|---|
| 278B<br>Drainage; Sewer Project; or Water Project | Counties and cities | Impact Fee assessments against property are used to pay bonds. Maximum fee is total cost of project divided by number of units. | Local government required to post notice of intent, hold public hearing and adopt capital improvement plan. | Use of proceeds for operations and maintenance prohibited. |
| 543<br>Flood Control | Counties | • Revenue bonds or GO bonds.<br>• Districts funded by 1/4% sales tax in Clark County and 1/8% sales tax in Washoe County. | Voter approval required for creation of district.<br>property tax allowed with voter approval. | • Property tax levy exempt from 106% revenue cap.<br>• Sales tax may also be used to fund operations and maintenance.<br>• Bonds can be issued for up to 40 years. |

## WATER FACILITIES (FLOOD CONTROL, WATER, WASTE WATER, SOLID WASTE DISPOSAL) INFRASTRUCTURE - CONTINUED

| NRS Citations and Purpose | Available to | Financing Mechanisms | Creation and Approval | Miscellaneous |
|---|---|---|---|---|
| 377B<br>Water, Waste Water, Flood Control, Solid Waste Disposal | Counties | General or special obligation bonds. Payment by sales tax and/or revenue from projects. | Sales tax authorized by Legislature; imposed by 2/3's vote of county commissions. | • Clark County - 1/4 cent for water and wastewater facilities.-<br>• Washoe County - 1/8 cent for flood control,<br>• All other counties - 1/4 cent for water, wastewater, flood control, solid waste disposal.<br>• Operating costs not permitted. |
| NRS 278C<br>Water, Wastewater, Flood, Drainage | Counties and cities | Property Tax Increment Financing<br>Revenue bonds and GO/revenue bonds. Project net revenue must be dedicated to debt service for allowed capital projects. | Governing body creates tax increment area subject to public notice and hearing requirements. | • Tax revenue not subject to property tax revenue limit of 106% (NRS 354.59811).<br>• Voter approved debt, overrides, school operating rate not subject to increment mechanism.<br>• Revenues limited by revenues paid into other increment areas or redevelopment agencies.<br>• Operating costs not permitted. |

## MISCELLANEOUS INFRASTRUCTURE MECHANISMS -INCLUDING SPECIAL ACTS

| **NRS Citations and Purpose** | Available to | Financing Mechanisms | Creation and Approval | Miscellaneous |
|---|---|---|---|---|
| 244.386<br>Wildlife Impact Fee | Clark County | Up to $1,000 per acre on new development. | Adopted by ordinance by county commission. | For desert tortoise impact mitigation. |
| Water - Special Act<br>Chapter 164, 1947<br>Las Vegas Water Reclamation District | Clark County | GO or special assessment or revenue bonds. | Voter approval not required. | Debt limit 20% of assessed valuation. Not backed by full faith and credit of State or local. |
| Water - Special Act<br>Chapter 167, 1947<br>Las Vegas Valley Water District | Clark County | Bonds may be issued under local government securities law NRS 271 and 350. | Status of voter approval uncertain. | Bond sales can be requested by Southern Nevada Water Authority. |
| Water - Special Act<br>Chapter 268, 1967 as amended by<br>Chapter 482, 1975 and<br>Chapter 393, 1995<br>Southern Nevada Water Project | Colorado River Commission | Bonds may be issued under State securities law. | Voter approval not required. | State GO/revenue bonds issued by Colorado River Commission. |
| Water - Special Act<br>Chapter 506, 1997 | Cities, water districts | Excise tax. | Cities, water districts | Excise tax imposed on water use for water facilities. |
| Water - Special Act<br>chapter 621, 1989 | Carson water subconservancy district | Property tax<br>general or special obligation bonds | 11 member board represents Carson, Lyon, Churchill & Douglas counties. | |
| Water - Special Act<br>Chapter 474, 2003 | Lincoln County Water District | Medium term obligations as provided for in NRS 350 | Board of County Commissioners is the Board of the water district. | |

## MISCELLANEOUS INFRASTRUCTURE MECHANISMS -INCLUDING SPECIAL ACTS - CONTINUED

| **NRS Citations and Purpose** | Available to | Financing Mechanisms | Creation and Approval | Miscellaneous |
|---|---|---|---|---|
| Convention Centers - Special Acts<br>Chapter 3, 1971<br>Chapter 582, 1977<br>Chapter 227, 1975<br>Chapter 496,1997 | Las Vegas Convention Center<br>Las Vegas Convention & Visitors Authority<br>Elko Convention Center & Visitors Authority<br>Tahoe Township portion of Douglas County | GO, GO/revenue and revenue bonds. | • Governing board may approve revenue bonds.<br>• Voter approval required for GO bonds. | • Las Vegas debt limit 5% of assessed valuation if property tax is levied.<br>• Other counties 3% to 10% of assessed valuation if property tax is levied.<br>• Room tax most common source of bond payment.<br>•Tahoe-Douglas Visitor's Authority Act revenue source is limited to an 8% room tax. |
| Airports - Special Acts<br>Chapter 458, 1983<br>Chapter 844, 1989<br>Chapter 474, 1977 | Battle Mountain<br>Carson City<br>Washoe County | • GO bonds paid by property taxes.<br>• GO/revenue and revenue bonds paid by fees.<br>• Washoe County has specific authority for short term bonds. | • G.O Bonds require voter approval.<br>• Revenue Bonds do not require voter approval. | • Debt limit is 5% of assessed value.<br>• No limit in Carson City |
| V&T Railroad - Special Acts<br>Chapter 566, 1993<br>Chapter 676, 1995<br>Chapter 566, 1999 | Tri-County Railway Commission (Carson City, Lyon and Storey counties) | GO Bonds and GO revenue bonds | The Commission is created by Statute and constitutes the governing body. | Revenue options include ½% of sales tax if approved by voters<br>up to 2 cents property tax if approved by voters.<br>Increase in room tax. |
| Railroad Grade Separation- Special Act<br>Chapter 506, 1997 | Washoe County | County may impose 1/8 cent sales tax conditional on imposition of 1% room tax and written commitment from another funding source for not less than half the cost of the project. | Taxes authorized by the Legislature; adopted by ordinance, approved by 2/3's of county commission. | Taxes in effect until bonds and other obligations fully paid. |
| Elko County Hospital District - Special Act<br>Chapter 14, 1997 | Elko County | Sales tax to 1%. May be used for revenue bonds or pay-as-you-go financing. | Voter approval required. County commission imposes by ordinance. | Duration of tax limited to 4 years following imposition. |

# GLOSSARY

The issue of financing debt contains many terms of art that are not common usage. This glossary provides an explanation of the most commonly used words and terms.

## TYPES OF BONDS

**GENERAL OBLIGATION (GO) BONDS -** These bonds are secured by the full faith and credit of the issuing government. A property tax rate is established to redeem these bonds. State GO bonds must be redeemed within 20 years and are not subject to voter approval unless specifically required by the Legislature. Local G.O. bonds must be redeemed within 30 years and require voter approval. With the exception of State bonds issued for natural resources these bonds are counted against any debt limit imposed.

**GENERAL OBLIGATION REVENUE BONDS -** These are GO bonds but are paid for by a specific revenue source (i.e. sales tax, room tax, user fees, etc). If the designated revenue source fails, a property tax may be levied to pay these bonds. They are sometimes referred to as "double barreled bonds".

**REFUNDING BONDS -** These bonds are issued to replace the original bonds for the purpose of taking advantage of favorable changes in the bond market. Refunding G.O. bonds are counted against debt limits; refunded G.O. bonds are not.

**REVENUE/SPECIAL OBLIGATION BONDS -** These bonds are not backed by the full faith and credit of the governmental entity and are not counted against the debt limit. They are generally redeemed by a pledged source of revenue (i.e. income from the project, such as water charges; hospital charges or a legislatively authorized revenue source such as sales tax).

**SPECIAL ASSESSMENT BONDS -** These bonds are issued by cities, counties, authorized political subdivisions, and local districts. They are secured by liens on benefitted properties.

**STAR BONDS -** These are Sales Tax Anticipation Revenue Bonds which are issued by a local government under very specific conditions, but which are not subject to the full faith and credit of the issuing government.

**ZERO COUPON BONDS -** Bear no interest but are marketed at substantially below face amount producing a substantial gain at maturity. Example: A $1,000 bond purchased in 1995 for $385.55 produces an annual yield of 10% at maturity in 2005. These bonds are also called capital appreciation bonds or CAB's. Note: Zero Coupon Bonds can also be considered a scheduling mechanism for issuers. As a matter of reality for most Nevada government issuers they are used more to attract investor interest than to defer debt service.

## TERMS OF INDEBTEDNESS

**Short Term Debt -** Incurred for a duration of one year or less and does not require voter approval. Includes both securities issued for a term of one year or less or inter-fund transfers within a governmental entity which are required to be repaid within one year.

**MEDIUM TERM DEBT -** Incurred for not longer than 10 years. If the term of the financing is for more than 5 years, the term may not exceed the useful life of the property acquired. The debt *does not require voter approval*, but is approved by the Director of the Department of Taxation.

**LONG TERM DEBT -** Incurred for a more than 10 years and paid for by property taxes or, in the case of long term revenue bonds, by another designated source. This debt *must be approved by the voters* at a regular election if issued by a local government if paid for with property tax revenue.

## DEBT PAYMENT SCHEDULING

**BALLOON PAYMENT -** The payment of a bond issue which contains a large percentage of the principal at one maturity date; frequently the last payment.

**LEVEL DEBT SERVICE -** A bond payment schedule combining payment schedule on bonds that has increasing principal amounts maturing each year so that the debt service in all years is essentially level.

**INCREASING DEBT SERVICE SCHEDULE -** A bond payment schedule with no payments or smaller payments in early years of bond life followed by higher or increasing payments later in the debt retirement schedule. Sometimes used to defer financing costs in the near term until other debt is retired or until enterprise revenues from a project are realized following completion of construction and commencement of operations.

*Continued on page 22*

## OTHER FREQUENTLY USED TERMS

**AMORTIZATION -** The process of gradually paying the principal and interest amounts of an issue by a series of periodic payments either directly to bondholders or to a sinking fund.

**ARBITRAGE -** In municipal bonds, the term most commonly refers to the difference between the rate of interest at which the government borrows (generally tax exempt and therefore lower) and the rate of return which it earns by investing the proceeds of the borrowing (generally including taxable securities paying higher interest). The federal government exempts most municipal securities from income taxation. As an extension of that exemption the federal government seeks to assure the debt proceeds received by governments are used for qualified projects and not merely to receive additional revenue. Accordingly, the federal government requires state and local governments to calculate the rate of interest they pay (bond yield) vs. the rate of return they receive and rebate interest earnings in excess of the bond yield to the U.S. Treasury.

**BOND INSURANCE -** Insurance purchased by governing entity to guarantee the payment of bonds to bond holders. An insured bond issue will receive the highest bond rating. It is generally purchased when the price of the insurance either provides the rating necessary to sell the issue, or the rating will yield an interest rate (even with the cost of the insurance) that is lower than could otherwise be obtained.

**CERTIFICATES OF PARTICIPATION (COPS) -** See Lease Purchase Financing.

**COST OF ISSUANCE -** The expenses paid by the issuer directly related to the authorization, sale and issuance of the bonds or notes such as bond consulting fees. These costs may or may not be paid from bond proceeds.

**COUPONS -** These are negotiable instruments attached to a bond representing principal and interest payable on a certain date. Until the 1980's paper bonds were often issued with coupons attached. Today virtually all municipal bonds are issued and serviced electronically by a depository institution established for that purpose.

**CREDIT RATINGS -** Bonds and other securities are rated as to their creditworthiness by rating agencies. Issuing governments typically obtain ratings from one or more such agencies. Currently three firms, Moody, Standard and Poor and Fitch, provide this service.

**EXACTIONS -** These are amounts of payment either in cash or in infrastructure donations required by government entities for the approval of development. These are considered "negotiated payments", and are not based on statutory powers, but rather are considered an exercise of "police powers" granted to cities and counties under their general governing provisions of statute.

**IMPACT FEES -** Assessment against new developments to pay for the cost of governmentally required infrastructure. The fees become part of the cost to the property buyer.

**INTERIM DEBENTURES -** General or special obligation debt authorized to be issued by the State for a term of no more than 5 years, generally in anticipation of retiring the interim debenture with proceeds from longer term debt. Proceeds from interim debentures may be used to retire shorter term debt previously issued such as notes or warrants.

**LEASE PURCHASE FINANCING -** This is a lease to finance capital equipment or real property acquisitions. Undivided interest in the lease may be resold as COPS (Certificate of Participation).

**NET INTEREST COST (NIC) -** The percentage rate, stated in terms of the effective interest rate on an issue. It is computed by dividing the cost of the debt including interest and cost of issuance such as consulting fees by the final proceeds of the borrowing amortized over the life of the bonds.

**NOTES -** A form of short term debt issued for a term less than one year.

**PAY- AS-YOU - GO -** The financing of infrastructure based on current available revenue or a legislatively authorized funding source. Pay-As-You-Go revenue sources cannot be used to finance bonds.

**TAX INCREMENT FINANCING (TIF) -** A financing method by which increases in designated revenues from a specific geographical area are dedicated to infrastructure and projects only within that area rather than the normal distribution. Typically the year previous to the establishment of the increment area is used to determine the base above which incremental revenue is captured. For property tax it is the difference between the revenue generated in the base year and the revenue generated in subsequent years. Statute provides for both property tax and sales tax TIF's. Redevelopment districts are generally financed by property tax TIF's and tourism districts use sales tax TIF's.

**WARRANTS -** Warrants are instruments used by a state or authorized local government as evidence of indebtedness either backed by the full faith and credit of the state or as special obligations backed by specified revenues. Nevada has not used warrants as debt for the past several decades.

# *NEVADA* ISSUES

## ABOUT THIS PUBLICATION

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## DISCLAIMER

# NEVADA TAXPAYERS ASSOCIATION

## ABOUT THE ASSOCIATION

The Nevada Taxpayers Association is one of the oldest government research and advocacy associations not only in Nevada, but also in the United States. The Association was established in 1922 as a statewide, non-profit 501 (c)(4) non-partisan, membership association.

## THE MISSION

The mission of the Association since it was formed has been to monitor, analyze and research information regarding fiscal matters; to take positions as appropriate in the areas of taxes and expenditures; and to disseminate these positions and information while there is still time for responsible action.

## CONTACT US

For information about membership or other NTA publications visit our website or call the office nearest you.


**CARSON CITY OFFICE**
501 So. Carson Street, Suite 301, 89701
775-882-2697

**LAS VEGAS OFFICE**
2303 East Sahara Avenue, Suite 203, 89104
702/457-8442

www.nevadataxpayers.org