

**DEBT MANAGEMENT POLICY
AND
CAPITAL IMPROVEMENT PLAN
FOR
CITY OF WINNEMUCCA**

JUNE 30, 2011



Report Prepared by:

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CITY OF WINNEMUCCA DEBT MANAGEMENT POLICY

Municipalities are required by NRS 350.013 and NRS 354.5945 to submit an annual report, statement of debt management policy, a five (5) year capital improvement plan and other information pertaining to debt management. The Debt Management Policy, Indebtedness Report and Capital Improvement Plan must be submitted to the Department of Taxation and Debt Management Commission on or before August 1st of each year. The Capital Improvement Plan must be submitted to the Legislative Counsel Bureau before August 1st of each year.

1. Except as otherwise provided, the written statement of the debt management policy must include:
 - a. A complete statement of current and contemplated general obligation debt; special elective taxes (if applicable); special assessments with retirement schedules – all in detail and form established by the committee on local government finance.
 - b. A written statement of the debt management policy of the municipality which must include a discussion of the following:
 - i. Ability to afford existing and authorized future or proposed general obligation debt.
 - ii. Capacity to incur future general obligation debt utilizing ad valorem taxes per capita without exceeding the applicable debt limit.
 - iii. General obligation debt payable from ad valorem taxes per capita as compared with other municipalities within the state.
 - iv. General obligation debt payable from ad valorem taxes per capita as a percentage of assessed valuation of all taxable property within the boundaries of the municipality.
 - v. A policy statement regarding the manner in which the local government expects to sell its debt.
 - vi. Sources of money projected to be available to pay existing and authorized future general obligation debt.
 - vii. Operational costs and revenue sources associated with each project for the following five (5) years.
 - c. A plan for capital improvement for the ensuing five (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.
 - d. A statement containing the name, title, mailing address and telephone number of the chief financial officer of the municipality.

2. Each governing body of a political subdivision may combine statements or plan if both municipalities have the same governing body.
3. Annual updates of the plan must be completed and submitted annually.
4. Exclusionary provisions for Airport Authorities.

WRITTEN POLICY STATEMENT

The following report is not intended to review the City's total financial position but to substantiate specific information regarding the debt management policies and practices of the City in accordance with NRS 350.013.

DISCUSSION OF CITY ABILITY TO AFFORD EXISTING AND FUTURE GENERAL OBLIGATION DEBT

It is the policy of the City of Winnemucca to minimize the use of debt as a means of financing capital improvement projects or the purchase of capital assets. However, occasionally the City must utilize other means to finance infrastructure improvements when the need arises. The City plans for these needs by creating a Capital Improvement Plan and Asset Acquisition(s) list (budgetary line items) which identifies and prioritizes those needs (by Resolution when applicable). Likewise, it is the policy of the City that the repayment of any and all debt shall be a priority item and when the budget allows, additional funds are pledged in support of reducing the principal of any outstanding debt. Any decision regarding the use of debt is based in part on the long-term needs of the City and the amount of equity (cash) dedicated in a given fiscal year to capital outlay.

DISCUSSION OF CITY CAPACITY TO INCUR FUTURE GENERAL OBLIGATION DEBT WITHOUT EXCEEDING THE APPLICABLE DEBT LIMIT

The City Council is authorized by NRS 266.600 to borrow money on the credit of the City to the extent allowed by the constitution and laws, and issue general obligations in an amount not to exceed 30 percent (30%) of the total assessed valuation of the taxable property within the City. Bonded indebtedness should not exceed 20 percent (20%) of the assessed valuation.

The City of Winnemucca's Assessed Valuation for Fiscal Year 2010-2011 is \$160,995,779. Based upon this assessed valuation, bonds should not exceed \$48,298,734 (30%) and general indebtedness should not exceed \$32,199,156 (20%). Per the final audit report for period ending June 30, 2010 (Fiscal Year 2009-2010) the lawful City general obligation bonded debt limit was \$46,120,705 and other indebtedness excepting the bond indebtedness was not to exceed \$30,747,137. The final audited financial report for Fiscal Year 2010-2011 will be available by December 2011, which will provide more current information pertaining to fiscal year ending June 30, 2011.

An explanation of the City of Winnemucca's capacity to incur future general obligation debt through **funds receiving Ad Valorem tax revenue** is stated as follows:

Statutory Limit	\$ 48,298,734
Projected Outstanding Indebtedness funded	
By Ad Valorem Taxes as of 06/30/2011	\$ 0,000
Proposed New Debt payable	
From Ad Valorem Taxes	\$ 0,000
TOTAL OUTSTANDING-PROPOSED INDEBTEDNESS	\$ 0,000
Available Statutory Debt Capacity Remaining	\$ 48,298,734
Based upon the Fiscal Year 2010-2011	
Assessed Valuation	\$160,995,779
Percentage (%) of Outstanding Debt to Assessed Valuation ...	0.0%

General indebtedness for the City of Winnemucca currently consists of notes payable in the form of medium-term financing (special assessments) and is represented as follows:

	<u>ORIGINAL NOTE</u>	<u>CURRENT 7/1/2011</u>	<u>LONG-TERM 7/1/2012>></u>	<u>TOTAL FWD 7/1/2011>></u>
<hr/>				
Principal Only				
June 2006				
Assessment District #17	\$ 1,650,000	\$ 173,700	\$ 694,690	\$ 868,390
TOTAL DEBT:	\$ 1,650,000	\$ 173,700	\$ 694,690	\$ 868,390

General Obligation debt payable per capita of all taxable property within the boundaries of the municipality and as compared with other municipalities in this state:

<u>MUNICIPALITY</u>	<u>DEBT 6/30/11</u>	<u>7/1/10 ESTIMATED POPULATION</u>	<u>PER CAPITA DEBT</u>
City of Winnemucca	\$ 868,390	7,659	\$ 113.39
City of Fallon	\$ 3,484,070	8,869	\$ 392.84
City of Elko	\$15,665,000	18,842	\$ 884.46

City of Fallon – stats provided by Gary Cordes, City Clerk / 423-5104
City of Elko – stats provided by Dawn Stout, Finance / 777-7140

DISCUSSION OF CITY POLICY REGARDING DEBT PAYOFF

In spite of generally flat revenues over the past several years the City has experienced no major problems in meeting existing debt obligations. While it is anticipated that flat revenue distributions will continue, there should be no change in the City's ability to meet either existing or requested additional debt. The City will continue to place debt pay-off in high priority status while maintaining adequate funds for certain operational and maintenance expenses.

If the City of Winnemucca elects to sell and issue debt, it will do so in accordance with the provisions of the Nevada Revised Statutes. The City will continue its policy of soliciting for proposals from all local financial institutions and public government sponsored programs to consider the most favorable terms available.

If the City of Winnemucca elects to sell land to issue debt, it will do so in accordance with the provisions of the Nevada Revised Statutes. The City will continue its policy of soliciting for proposals from all local financial institutions and public government sponsored programs to consider the most favorable terms available.

DISCUSSION ON SOURCES OF FUNDING PROJECTED TO BE AVAILABLE TO PAY EXISTING AND FUTURE GENERAL OBLIGATION DEBT

The City of Winnemucca has primarily funded its infrastructure projects by utilizing designated budget appropriations, medium-term financing and assessment districts. Proposed capital projects which are funded with the assistance of Ad Valorem revenues include: street construction and repair; park and recreation improvements; and, building repair and construction. In the past, General Fund revenues have been adequate in providing for existing general obligation debt payable from that funding source. However, if future obligation debt is to be considered, funding sources will be determined in the budget year the improvement is scheduled.

Larger infrastructure projects such as water and sewer projects are constructed utilizing use and connection fees, medium-term financing and inter-fund loans (equity transfers). Enterprise Fund use and connection fees are projected to be available to provide for existing general obligation debt, as well as contemplated debt payable from the enterprise fund's ending working capital.

REVENUE BOND DEBT NOT SECURED BY AD VALOREM TAXES

During fiscal year 2006-2007, the City incurred additional debt through funding from the State of Nevada Revolving Loan Fund with Water Revenue Bonds. The City adopted Ordinance Number 734 on May 15, 2007 to address the issuance of these bonds. Repayment from the debt will be derived from the utility services revenues generated by the City's Water utility Enterprise Fund. The debt is represented as follows:

	<u>ORIGINAL NOTE</u>	<u>CURRENT 7/1/2011</u>	<u>LONG-TERM 7/1/2012>></u>	<u>TOTAL FWD 7/1/2011>></u>
June 2007				
North-side Water Project	<u>\$ 1,600,000</u>	<u>\$ 69,835</u>	<u>\$ 1,332,433</u>	<u>\$ 1,402,268</u>

PROMISSORY NOTE SECURED BY DEED OF TRUST:

In December 2009, the City entered into a *Promissory Note Secured by Deed of Trust* with America's Car Collection Holdings, LLC for the sum in total of \$300,000. The interest-free note is payable in two installments of \$150,000, each due on July 15, 2010 and July 15, 2011. The note was secured by request of the seller toward the purchase of property and building located at 500 E. Winnemucca Blvd., APN 015-214-34, City of Winnemucca. The debt was paid in full in installments of \$150,000 each on July 9, 2010 and August 25, 2010.

	<u>ORIGINAL NOTE</u>	<u>CURRENT 7/1/2011</u>	<u>LONG-TERM 7/1/2012>></u>	<u>TOTAL FWD 7/1/2011>></u>
December 2009				
Promissory Note	<u>\$ 300,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

"Reserve Accounts" have been created in the Capital Improvement Fund to provide for future infrastructural developments and capital acquisitions in the next few years. Additional funds are provided each year in an effort to secure the necessary dollars to fully fund each improvement project or capital purchase as it occurs (i.e., equipment replacement and additions, facilities, etc.)

CHIEF FINANCIAL OFFICER INFORMATION

The designated *Chief Financial Officer / Budget Officer* of the City of Winnemucca is City Manager Steve West. He can be reached at City of Winnemucca, City Hall, 90 West Fourth St., Winnemucca, NV 89445 or by phone (775) 623-6333, fax (775) 623-6321 or email: wmcadsw@winnemuccacity.org

AGENCIES:

- **DEPARTMENT OF TAXATION**
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State of Nevada
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Local Government Finance
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- **DEBT MANAGEMENT COMMISSION**
*Ms. Tami Spero
Humboldt County Clerk
Debt Management Commission
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- **LEGISLATIVE COUNSEL BUREAU**
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