



ISSUANCE OF LONG-TERM DEBT PROCEDURE

Responsible Office: Office of Business and Financial Services

PURPOSE

This administrative procedure describes the process in which long-term debt is issued by the Washoe County School District ("District" or "WCSD").

REGULATION

1. For the purposes of this procedure, "roll over bonds" refers to general obligation bonds that pledge the District's property tax debt rate as authorized by either the voter-approved or legislatively approved 10-year bond issuance program. Presently, this authorization expires in 2025.
2. For the purposes of this procedure, "WC-1 bonds" refers to general obligation bonds that pledge revenues received from the \$0.54 sales tax approved by Washoe County voters in November 2016. The District may also choose to issue revenue bonds that pledge this revenue source, but due to the higher interest costs for revenue bonds, the District has chosen not to issue this type of debt.
3. Long-term debt should be contemplated in the context of the District's overall capital improvement plan (CIP) when cash resources are inadequate to fund needed capital projects. Annually, the Chief Financial Officer and business staff works with the District's Financial Advisor (FA), Chief Operations Officer and other capital project staff as needed in developing the CIP.
4. When capital projects require long-term debt financing, the Chief Financial Officer confers with the FA to prepare a revenue sufficiency analysis.
 - a. For rollover bonds, a projection of assessed valuation and property tax revenues should be prepared and compared to the scheduled principal and interest payments for existing rollover debt to determine the ability to issue bonds for the district.
 - b. For WC-1 bonds, a projection of sales tax revenues should be prepared and compared to the scheduled principal and interest payments for existing WC-1 debt to determine the ability to issue bonds for the district. Ideally, there should be 1.25x coverage of debt service due to the volatility of this revenue source.
5. After consulting with the Chief Operations Officer and Superintendent, if it is determined that the District wishes to issue new long-term debt, the annual budget document should include the estimated new debt service on Schedule C-1 and the proceeds of the new bonds should be budgeted in the appropriate capital fund.

6. Any anticipated new debt should also be noted in the District's debt management policy, which is due to the State and County debt management commission by August 1 of each year.
7. If new debt is needed during the fiscal year after the annual budget is prepared and filed, the District may amend its debt management policy and CIP and present those amended documents to the debt management commission.
8. The District will need to assemble its financing team, which includes the financial advisor (FA), bond counsel, disclosure counsel (or "special counsel"), and dissemination agent. For a negotiated sale, the County will also need to select an underwriting team, which includes underwriter's counsel.
9. The CFO and financing team will prepare a notice resolution for the Board of Trustees ("Board") requesting the submission of the proposed bonds to the Debt Management Commission.
10. Once approved by the Board, the Chief Financial Officer goes before the Debt Management Commission for approval of the bond issuance.
11. Either before or after the Debt Management Commission's approval, rollover bonds must also be approved by the Oversight Panel for School Facilities, which will verify that the project(s) proposed by the District is in fact needed.
 - a. If rejected, the panel recommendations are submitted back to the Board.
 - b. If accepted, the Board makes final recommendation for the bond issue.
12. For WC-1 bonds, the Capital Funding Protection Committee ("CFPC") must approve all of the projects to be debt financed.
13. Structuring of Bonds - the Chief Financial Officer works with the financing team to issue the bonds for the District. Key decisions involved in the structuring of long-term debt include:
 - a. Private Placement versus Open Market Sale - there are three factors to consider when determining the mode of sale: cost, access to the market and flexibility for future redemptions. For smaller series or shorter-term amortizations, it may be advantageous to issue private placement bonds to a bank or other institutional investor. This should be reviewed and discussed with the FA and bond counsel.
 - b. Open Market Sale – Competitive versus Negotiated – The Debt Management Policy provides parameters for when a negotiated sale may be prudent. The default mode is a competitive sale to ensure fairness and best pricing. If a negotiated sale is selected, a Request for Proposal (RFP) process will need to be conducted to consider and select an underwriter(s).
 - c. Term – there are IRS rules on the maximum term of debt based on the useful life of the assets being financed. In addition, the overall debt

profile of the District and structure of existing debt should be considered when determining the term (i.e., 20 versus 30 years).

- d. Structure of Debt Service – after the initial construction period, the District may choose either an amortization structure of flat annual debt service or to structure debt service of new debt to wrap around existing debt service to provide for relatively flat total annual debt service. Debt service that accelerates each year should be avoided.
14. Steps for Issuance of WC-1 Bonds - After approval by the Debt Management Commission and CFPC, steps involved in the issuance of WC-1 debt include:
- a. Month 2
 - i. Board adopts Resolution of Intent (resolution calling a hearing and 90-day petition period).
 - ii. The District publishes the hearing of the resolution and begins a 90-day petition period.
 - b. Month 3 – District holds a public hearing.
 - c. Month 5
 - i. End of 90-day petition period
 - ii. Drafting of Bond Resolution
 - iii. Compilation of information for Preliminary Official Statement
 - d. Month 6
 - i. Due diligence meeting with financing team to review information in draft Preliminary Official Statement
 - ii. Begin preparation of rating agency presentation
 - e. Month 7
 - i. Adoption of Bond Resolution by Board
 - ii. Bond Resolution published in newspaper two succeeding weeks.
 - iii. Rating agency presentations
 - f. Months 8 and 9
 - i. Receive rating and post the finalized Preliminary Official Statement.
 - ii. Investor outreach
 - iii. Bond sale
 - iv. Closing of bonds and payment of costs of issuance

15. Steps for Issuance of Rollover Bonds - After approval by the Debt Management Commission and the Oversight Panel for School Facilities, steps involved in the issuance of rollover debt include:
 - a. Month 2
 - i. Compilation of information for Preliminary Official Statement
 - b. Month 3
 - i. Due diligence meeting with financing team to review information in draft Preliminary Official Statement
 - ii. Begin preparation of rating agency presentation
 - c. Months 4-5
 - i. Rating agency presentations
 - ii. Receive rating and post the finalized Preliminary Official Statement.
 - iii. Investor outreach
 - iv. Bond sale
 - d. Month 6 - Closing of bonds and payment of costs of issuance
16. The District should take an active role in preparing and reviewing the rating agency presentation since the District's bond rating is an important metric of the District's financial condition. Usually the financing team will prepare a fairly generic presentation. The District should review whether the initial draft presentation sufficiently presents the District's situation, whether it has additional data to incorporate into the presentation, and should agree with or determine what themes or issues to bring out in the presentation.

IMPLEMENTATION GUIDELINES & ASSOCIATED DOCUMENTS

1. This administrative regulation reflects the goals of the District's Strategic Plan and aligns/complies with the governing documents of the District.

REVIEW AND REPORTING

1. This administrative procedure shall be reviewed as part District's standardized review and revision process, or as needed by the Office of Business and Financial Services. Additional administrative regulations and/or other associated documents may be developed as necessary to implement and support this document.

REVISION HISTORY

| Date | Revision | Modification |
|------------|----------|---|
| 11/29/2005 | A | Adopted as a CSI Procedure |
| 9/20/2006 | B | Revised to correct typographical error |
| 10/20/2008 | C | Revised to add definition of roll over bond |
| 6/20/2019 | v1 | Adopted as Administrative Procedure |