

Churchill County Debt Management Policy

Updated as of June 30, 2019

*Submitted to the
Board of County Commissioners
On August 1, 2019*

Prepared by the County Comptroller's Office

CHURCHILL COUNTY DEBT MANAGEMENT POLICY

**Updated as of
June 30, 2019**

General Policy Statement

The purpose of the Churchill County debt management policy is to manage the issuance of the County's debt obligations and maintain the County's ability to incur debt and other long-term obligations at favorable interest rates for capital improvements, facilities, and equipment beneficial to the County and necessary for essential services.

Debt Capacity Analysis

Introduction and Purpose

This portion of the debt management policy has been developed to analyze the existing debt position of Churchill County and to assess the impact of the County's future financing requirements on the County's ability to service the additional debt. Decisions regarding the use of debt will be based in part on the long-term needs of the County and the amount of funds dedicated in a given fiscal year to capital outlay on a "Pay-As-You-Go" basis.

Analysis of the County's debt position is important, as growth in the County has resulted in an increased need for capital financing. This debt capacity analysis is premised on the idea that resources, as well as needs, should drive the County's debt issuance program. The primary emphasis of the analysis is the impact of the County's projected capital financing requirements on the credit quality of its debt obligations. The County wishes to ensure that as it issues further debt, its credit quality and market access will not be impaired.

Protection of Bond Ratings

Credit ratings issued by the bond rating agencies are a major factor in determining the cost of borrowed funds in the municipal bond market. The concept of debt capacity, or affordability, recognizes that Churchill County has a finite capacity to issue debt at a given credit level. It should be recognized however that there are no predetermined debt level/credit rating formulas available from the rating agencies. To arrive at a judgement regarding an issuer's credit worthiness, the rating agencies analyze the issuer in four broad, yet interrelated areas: economic base, debt burden, administrative management, and fiscal management.

Current Debt Position

Definition of Net Tax-Supported Debt - A calculation of indebtedness that is frequently used is one that takes into account all bond issues supported by tax revenues. Such debt is known as net tax-supported debt. Direct net tax-supported debt consists of debt serviced from the County's governmental funds or other funds that receive revenues from general County taxes. Such taxes include ad valorem property taxes, room taxes, sales taxes, and gasoline taxes. Self-supporting debt is debt that is revenue backed debt of enterprise fund operations such as C.C. Communications, Water and Waste Water Utilities. The revenues, charges for services, and assets of the Enterprise Funds will be used to repay the debt. In the unlikely event that there would not be sufficient resources, the general county may be required to support and payoff the outstanding debt. Indirect net tax-supported debt is overlapping debt paid by County residents to governmental agencies whose jurisdictions overlap the County's boundaries. The combination of direct and indirect debt is referred to as overall net tax-supported debt.

The County's direct net tax-supported debt position will be used in assessing the effects of future debt issuance since this is the debt over which the County has control. However, to secure an accurate picture of the full debt for which the County's taxpayers are responsible, the County's overall net tax-supported debt burden should also be considered. The following table lists the tax-supported debt of the County as of June 30, 2019.

DIRECT NET TAX-SUPPORTED DEBT
Churchill County, Nevada
As of June 30, 2019

<u>DIRECT NET TAX SUPPORTED DEBT</u>	<u>Date</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>	<u>Retirement Date</u>
<i>Ad Valorem Tax</i>				
<u>Notes Payable:</u>				
None Outstanding at this time:				
<u>Capital Lease Obligations</u>				
None Outstanding at this time:				
<i>Ad Valorem Tax</i>				
<i>(Overrides):</i>				
None Outstanding at this time:				
<i>Room Tax/Ad Valorem:</i>				
None Outstanding at this time:				
<i>Motor Veh. Priv. Tax/Ad Valorem</i>				
None Outstanding at this time:				
<i>Infrastructure Fund/Ad Valorem</i>				
None Outstanding at this time:				
<i>Sales Tax/Federal Payments in Lieu of Taxes</i>				
<i>And Geothermal Rents:</i>	<i>December 2018</i>	<i>\$15M</i>	<i>\$14,550,298</i>	<i>December 2049</i>
<i>Gas Tax:</i>				
Road Equipment Lease/Purchase: None at this time				
<u>Assessment Bonds</u>				
Total Outstanding Assessment Bonds				
<i>None at this time</i>				
TOTAL DIRECT NET TAX SUPPORTED DEBT:		<i>\$15M</i>		<i>\$14,550,298</i>
<u>Self-Supporting Direct Tax Supported Debt</u>				
<i>Enterprise Fund:</i>				
The Enterprise fund of Churchill County Communications entered into a capital lease for their customer service center located at Louie's Home Center 1775 West Williams Avenue. The term of the lease extends to 2029. The lease is paid with charges for services from the CC Communications enterprise operations.				
CC Communications				
Louie's Home Center: Capital Lease	11-2003	\$1,623,575	\$ 2029	
CC Communications Debt-Totals				<i>\$691,127</i>
TOTAL DIRECT SELF-SUPPORTING:				<i>\$691,127</i>
TOTAL NET TAX SUPPORTED DEBT:				<i>\$15,241,425</i>

SOURCE: Churchill County Comptroller's Office Schedule of Indebtedness

Calculation of Net Tax-Supported Debt - Shown below is a record of Churchill County's tax-supported debt position.

TAX-SUPPORTED DEBT POSITION
Churchill County, Nevada

Fiscal Year Ended June 30	Total Direct Debt	Direct Self Supporting Debt	Indirect Net Tax Debt	Overall Net Tax Debt
2002	\$ -	\$ 4,646,023	\$ 25,611,784	\$ 30,257,807
2003	\$ 405,179	\$ 3,904,941	\$ 23,795,000	\$ 28,105,120
2004	\$ 270,806	\$ 3,177,472	\$ 22,852,376	\$ 26,300,654
2005	\$ 3,425,552	\$ 3,996,249	\$ 21,140,000	\$ 28,561,801
2006	\$ 2,927,737	\$ 3,136,217	\$ 19,465,000	\$ 25,528,954
2007	\$ 2,573,985	\$ 6,817,059	\$ 20,641,000	\$ 30,031,044
2008	\$ 2,239,616	\$ 5,877,083	\$ 17,774,465	\$ 25,891,164
2009	\$ 1,916,863	\$ 5,740,361	\$ 21,225,511	\$ 28,882,735
2010	\$ 1,581,394	\$ 5,644,343	\$ 19,683,019	\$ 26,908,766
2011	\$ 43,693	\$ 1,186,685	\$ 23,697,934	\$ 24,928,312
2012	\$ -	\$ 1,113,213	\$ 29,235,725	\$ 30,348,938
2013	\$ -	\$ 1,039,522	\$ 37,341,300	\$ 38,380,822
2014	\$ -	\$ 958,063	\$ 48,591,300	\$ 49,549,363
2015	\$ -	\$ 904,483	\$ 43,375,800	\$ 44,280,283
2016	\$ -	\$ 854,695	\$ 41,933,000	\$ 42,787,695
2017	\$ 8,848,118	\$ 798,688	\$ 36,694,200	\$ 46,341,006
2018	\$ 14,851,783	\$ 749,555	\$ 34,760,700	\$ 50,362,018
2019	\$ 14,550,298	\$ 691,127	\$ 37,135,100	\$ 52,376,525

SOURCE: Churchill County.

For information concerning the Indirect Net Tax Debt see the respective taxing jurisdictions (School District). Amounts obtained from School District Audit and Budget Reports.

INDIRECT TAX-SUPPORTED DEBT POSITION
Churchill County School District
Fallon, Nevada

Fiscal Year Ended June 30	Total Indirect Debt	Description	Reference
2002	\$ 25,611,784	Various Bond Issues and Refundings:	See CCSD Audited Financial Statements.
2003	\$ 23,795,000	Various Bond Issues and Refundings:	See CCSD Audited Financial Statements.
2004	\$ 22,852,376	Various Bond Issues and Refundings:	See CCSD Audited Financial Statements.
2005	\$ 21,140,000	Various Bond Issues and Refundings:	See CCSD Audited Financial Statements.
2006	\$ 19,465,000	Various Bond Issues and Refundings:	See CCSD Audited Financial Statements.
2007	\$ 20,641,000	Various Bond Issues and Refundings:	See CCSD Audited Financial Statements.
2008	\$ 17,774,465	Various Bond Issues and Refundings:	See CCSD Audited Financial Statements.
2009	\$ 21,225,511	Various Bond Issues and Refundings:	See CCSD Audited Financial Statements.
2010	\$ 19,683,019	Various Bond Issues and Refundings:	See CCSD Audited Financial Statements.
2011	\$ 23,697,934	Various Bond Issues and Refundings:	See CCSD Audited Financial Statements.
2012	\$ 29,235,725	Various Bond Issues and Refundings:	See CCSD Audited Financial Statements.
2013	\$ 37,344,200	Various Bond Issues and Refundings:	See CCSD Audited Financial Statements.
2014	\$ 35,218,600	Various Bond Issues and Refundings:	See CCSD Audited Financial Statements.
2015	\$ 43,375,800	Various Bond Issues and Refundings:	See CCSD Audited Financial Statements.
2016	\$ 41,933,000	Various Bond Issues and Refundings:	See CCSD Audited Financial Statements.
2017	\$ 36,694,200	Various Bond Issues and Refundings:	See CCSD Audited Financial Statements.
2018	\$ 34,760,700	Various Bond Issues and Refundings:	See CCSD Audited Financial Statements.
2019	\$ 37,135,100	Various Bond Issues and Refundings:	See CCSD Audited Financial Statements.

Source: Churchill County School District. Indirect Net Tax Debt Audit Reports and FY20 approved final budget.

In addition to showing the relative position of Churchill County, these ratios indicate the significant impact of overlapping debt (See the INDIRECT NET TAX DEBT" table) on the County's overall debt position. As can be seen in the calculation of overlapping debt shown earlier, overlapping jurisdictions include the school district, and incorporated cities over which the County has little control. Nonetheless, the debt issuance of these governments directly impacts the overall net direct tax-supported debt position of the County.

General Obligation Bond Commission - In Nevada, governments must present their general obligation debt proposals, including short-term financing issued under NRS 354 as required by the 1993 Legislature, to a County General Obligation Bond Commission. This Commission reviews the statutory debt limit, method of repayment, and possible impact on other underlying or overlapping entities. When considering the possible impact on other entities, the Commission generally considers the property tax rate required versus others' need for a tax rate - all of which must fall below the statutory \$3.64 property tax cap. The \$3.64 is not usually a limiting factor. However, the cap will become an issue when local governments begin levying a property tax that is closer to \$3.64. Nevada's General Obligation Bond Commissions do not generally make judgments about a proposal's impact on the debt ratios of all the affected governments.

Resources Available for Future Debt Issuance

Churchill County's ability to meet its future debt obligations will primarily depend on the financial and other economic resources available at that time. This analysis assumes a continuation of the current situation, particularly as to the County's tax structure and economic composition. As such, the County has the ability to issue debt if necessary.

Available Revenue/Call Features

The County's long-term debt is sold or obtained with a prepayment option from the lending institution. When available revenues are identified, the County Manager/Comptroller's Office should consider prepaying or defeasing portions of its outstanding debt.

Debt Retirements

One source from which the County can obtain debt capacity is through retirement of currently outstanding debt; that is, the scheduled repayment of existing obligations. As the County retires debt, this amount becomes available as a resource for new debt issuance without adding to the County's existing debt position. The following table illustrates the annual payments on the County's direct net tax supported debt.

ANNUAL DEBT SERVICE REQUIREMENTS
Churchill County, Nevada
 As of July 1, 2019

The table below lists the estimated principal and interest payments.

Fiscal Year Ended June 30	NDirect Tax Supported Debt		Grand Total
	Principal	Interest	
2020	\$308,748.91	\$398,055.09	\$706,804

Source: Churchill County.

Property Tax Supported Debt

The County collateralizes much of its tax-supported debt with a variety of revenue resources. Currently outstanding debt is backed by dedicated revenue, which include 25% of the quarter cent sales tax, 15% of the Federal Payment in Lieu of Taxes (PILT), 15% of the proceeds from the geothermal rents, and interest earnings. There are adequate reserve balances to pay over two years of principal and interest. Current balance in Debt Service Fund exceeds \$2,200,000.

CC Communications Supported Debt

CC Communications, is an enterprise operation of the County. The following tables illustrate the outstanding debt issues currently being supported with charges for services by their customers and the corresponding annual debt service for those issues.

**CC Communications DEBT
Churchill County, Nevada
June 30, 2019**

<u>Issue</u>	<u>Date Issued</u>	<u>Principal Amount</u>	<u>Amount Outstanding</u>
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Capital Lease:

Louie's Home Center	11-2003	\$1,623,575	\$691,127
CC COMMUNICATIONS SUPPORTED DEBT			

Source: Churchill County Comptroller's Office

**DEBT SERVICE PAYMENTS FOR
CC Communications DEBT Payments**

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Grand Totals</u>
2019	\$54,169	\$41,000	95,169

Possible Future County Capital Projects

While some possible financing are better defined than others, the County could be projecting approximately \$55,081,000 of capital projects that will possibly require long-term financing over the next several years, as listed below. There is no assurance these projects will be issued in the amounts shown below. There exists a possibility that all or part of any project listed below will be funded through alternative revenue sources. The information below was based upon the Churchill County's Capital Improvement Plan. Items and projects are subject to change until approved by the Board of County Commissioners.

POSSIBLE COUNTY CAPITAL PROJECTS REQUIRING LONG-TERM FINANCING REPAYMENT SOURCES IDENTIFIED

Repayment Project	Amount	Sources
Road Equipment:	\$500,000	Road Equipment Replacement Fund, X.O. Repairs, Federal PILT apportionment
Court Expansion and Renovation	\$7,300,000	Medium Term Financing: PILT, Federal/State grants, 5 Cent Ad Valorem Tax Rate
CC Communications Upgrades	\$10,000,000	Revenue Backed Note Payable, User Fees
Water System Phase II	\$10,000,000	USDA grant, loan. Hook-up fees, Connection fees and monthly user fees
Road Capital Equipment Cost	\$1,500,000	Medium Term Financing: Road Equipment Replacement Plan: Geothermal Revenues
Parks & Recreation	\$9,000,000	Go Bond, Federal, State Grants, Private donations, Voter Approved Overrides
County Water System	\$1,540,000	Water Right Dedication Fees, PILT Payments, Federal, State Grants, Private Donations,
Total Estimated Project Cost	\$39,840,000	

Source: Churchill County Comptroller's Office

The following table illustrates the County's general obligation statutory debt limitation as set by Nevada Revised Statutes 244A.059.

STATUTORY DEBT CAPACITY
Churchill County, Nevada
June 30, 2019

Statutory Debt Limitation based on an assessed value of \$840,079,069	\$126,011,860
Outstanding General Obligation Indebtedness	\$14,550,298
County Debt Service Fund: Adult Jail Facility Long-term bonds	
CC Communications Debt	\$691,127
Outstanding and Proposed General Obligation Indebtedness	\$55,081,425
Additional available Statutory Debt	\$70,930,435

1/ See table entitled "POSSIBLE COUNTY CAPITAL PROJECTS REQUIRING LONG-TERM FINANCING REPAYMENT SOURCES IDENTIFIED"

Source: State of Nevada Department of Taxation; Churchill County Churchill County Comptroller's Office, Sherry Wideman, Comptroller 155 North Taylor Street, Suite 182, Fallon, NV 89406

PASSED AND ADOPTED this 1st day of August, 2019.

CHURCHILL COUNTY BOARD OF COUNTY COMMISSIONERS

By: 
Harry Scharmann, Vice-Chair

ATTEST:

LINDA ROTHERY, Clerk/Treasurer


Pamela D. Moore, Deputy Clerk to the Board