

**MINUTES OF THE SEPTEMBER 25, 2015
PUBLIC SCHOOLS OVERCROWDING &
REPAIR NEEDS COMMITTEE MEETING**

1. Opening Items

a. Call to Order

The meeting of the Public Schools Overcrowding & Repair Needs Committee was called to order at 9:20 a.m. at the Washoe County Complex, 1001 East Ninth Street, Caucus Room, Reno, Nevada.

b. Roll Call & Introductions

Chairman Shaun Carey and Committee Members Assemblywoman Teresa Benitez-Thompson, Bridget Burckhard, Anthony Carano, Mike Cate, Mike Kazmierski, Greg Peek, Dylan Shaver, Kevin Sigstad, Senator Debbie Smith, and Len Stevens were present. Committee members County Commissioner Marsha Berkbigler, Dana Galvin, Josh Hicks, Todd Koch were absent from the meeting.

2. Public Comment

Fred Boyd remarked that there were a couple of aspects of construction costs that should be considered. He urged the committee to determine if less expensive schools could be built and why there were such large estimates for the construction of schools in the region when other high schools build across the country were done so with fewer dollars. He also wondered if it would be possible for the School District to sell the newer schools and then lease them back so they would not be responsible for the maintenance costs. The District could eventually buy the schools back when funds were available.

3. Items for Discussion and Possible Action

c. Presentation, discussion and possible action to accept the information presented on current and proposed tax revenue options to fund school construction as authorized and explained by Senate Bill 411

Tom Ciesynski, Chief Financial Officer, Washoe County School District, introduced Mr. Marty Johnson, who was the District's financial advisor. He was a respected presenter on legislative finance issues and worked with most of government entities in Nevada.

Marty Johnson, JNA Consulting Group, LLC., presented the committee with information on the current tax revenue and bond rollover program for the School District. He provided brief overviews on the different rates of the various local taxes

the District received funding from and the potential impact of changes to those rates the committee could consider. Some portions of the tax rates were set by Nevada Revised Statute, namely operating rates, and other portions of the rates were set by the voters in the counties and cities. Information on property taxes was presented. The abatement laws affected the amount of property taxes that could be collected and no longer tracked with the assessed value of properties. He provided information on how the rollover bond process worked. The District was able to issue bonds if they were able to show that they could pay the bonds back with existing tax revenue. Certain revenues were placed in the District's Debt Services Fund and could only be used to repay bonds. If there was additional money in the Debt Service Fund, beyond the repayment of the bonds, those funds could be used for "Pay As You Go" programs within Capital Projects. The District was anticipating an annual average of about \$35 million in funding related to the rollover bonds. The actual amount was dependent on the type of bonds issued, the terms of the bonds, interest rates, and other factors.

Pete Etchart, Chief Operations Officer, reminded the committee that the District had presented information previously that they anticipated receiving about \$20 million annually in bond revenue. The new amount of \$35 million was based on updated information on growth and removing Fiscal Year 2015 from the equations since the District had zero bonding capacity in that year.

Mr. Sigstad wondered if there was information available on the amount of bonding capacity for the District in the coming years. He wanted to make sure the committee was able to see what would potentially be available each year and not what the annual average was. Mr. Johnson noted that the average was based on the amount the District could issue each year. The reality was that the District would not bond for the full amount each year because only a certain amount could be spent in each year and bond funds had to be spent within 3 years. The amount of bonds issued year to year would depend on the needs of the District and could not be accurately charted. Mr. Etchart added that the District continued to estimate the amount of repairs and renovations at \$20-25 million per year. It would be important to consider that there would be many in the community who would view the additional \$10-15 million as the ability to build new schools; however, there would be additional factors to consider, such as increased construction costs and faster enrollment growth, so the additional money not have the ability to cover all potential new construction needs and costs.

Mr. Johnson reviewed the other taxes the committee could consider based on the language in Senate Bill (SB) 411. The historical and projected revenues of an increase in the sales tax, real property transfer tax, room tax, and governmental services tax were presented. The projected revenue for an increase to the property tax were also presented. The committee would also need to consider other information related to capital projects, such as the length of time the projected revenues would last, when

the District would want to bond, the District's bond rating, and interest rates. The figures used in the projections were used only as examples and should not be considered the exact amount of any proposed increase.

Mr. Peek asked if the committee would be discussing which taxes the public would be more likely to vote to increase. Lindsay Anderson, Director, Government Affairs, Washoe County School District, indicated that would be a conversation for a later meeting.

Mr. Johnson provided information on the tax rates in different counties in Nevada and how close some of those counties were to the state mandated cap, how the different school districts in Nevada funded capital projects, and sales tax and other tax rates throughout Nevada.

Chairman Carey inquired how sun-setting taxes could affect the ability to bond. Mr. Johnson remarked that if a tax was scheduled to sunset, it would be important for the District or other governmental entity to bond as quickly as possible so they would be able to take full advantage of the revenue while it was available.

The committee held a discussion on some of the other taxes the different counties in Nevada had and how they funded capital projects. Normally, tax rates could not be instituted if they would be over the cap; however, SB411 did allow for that possibility in Washoe County. If approved, the proposed tax would require some other entity in the County to reduce their rate by the amount of the increase. If the sample rates used were increased, then the bonding capacity would also increase because the District would receive additional revenue; additionally, the assumption used was for 20-year bonds, so if 30-year bonds were used the capacity would also change.

Mr. Stevens wondered if it would be possible to show what each proposed tax would cost a typical family of four for a year. Mr. Johnson stated that it would be possible.

Chairman Carey mentioned that since Mr. Johnson had to leave, it would be prudent for the committee members to review the information presented and compile a list of questions that could be addressed at a future meeting.

a. Approval of the Minutes of the August 28, 2015 Meeting

Mr. Peek requested additional clarification on some of his statements related to the timing of proposed developments.

It was moved by Mr. Sigstad and seconded by Mr. Shaver that **the Public Schools Overcrowding and Repair Needs Committee approved the minutes of the**

August 28, 2015 meeting as amended. The result of the vote was Unanimous.
Final Resolution: Motion Carries.

- b. Review, discussion and possible action to accept the estimated school construction needs and costs in Washoe County School District including repair, renovation and new schools as outlined in the presentation on August 28, 2105

Chairman Carey explained the item was a holdover from the August 28, 2015 meeting so the committee could have the opportunity to ask any additional questions of District staff or accept that there was a need for additional capital funding in the District.

It was moved by Mr. Peek and seconded by Mr. Sigstad that **the Public Schools Overcrowding and Repair Needs Committee finds that there is a significant capital construction and repair need for new schools.**

Chairman Carey opened the motion for discussion.

Mr. Shaver wondered if it would be up to the committee to establish to specific needs of the District. Chairman Carey indicated that it was his belief that the legislation did allow the committee to review the information and present to the voters that there was a specific need for a certain amount. A discussion was held on if the committee should consider the actual need of the District or what would be approved by the voters.

Mr. Peek remarked that the motion was intended to establish a base-line threshold of need. He felt that a base-line needed to be established before the committee dealt with other issues, such as what the funds should be used for.

The result of the vote was Unanimous. Final Resolution: Motion Carries.

- d. Review of Washoe County School District Funding Sources & Budget

Tom Ciesynski, Chief Financial Officer, Washoe County School District, provided the committee with an overview presentation on the District's budget and revenue sources.

Mr. Stevens asked if there were times when capital funds could be used to support District operations or times when the District's operational fund could be used to support the capital funding. Mr. Ciesynski explained the operating fund for the District was the "General Fund." There were times when simple maintenance was paid for out of the General Fund, such as light bulb or air filter replacement. The General Fund could be, and was often, used to supplement other funds. The Capital Fund

could not be used to support the General Fund or operations such as salaries of teachers and staff.

Chairman Carey wondered if the funding for technology in the schools was included within the Capital Fund or if it was taken from different account. Mr. Ciesynski stated that prior to issuing bonds related to capital funding, the District was required to demonstrate what they would use the bonds for. If part of the funding were for a new school and furniture and fixtures were included in the summary provided by the District, then technology could be paid for out of the bond funds. If the items were not included in the description, then the District would have to look for a different source of funding. A discussion was held on different types of items included in capital funding. Mr. Etchart noted that any item that was considered "custodial," such as changing filters or light bulbs, was paid for from the General Fund; any item related to "major building systems," such as the replacement of a boiler, would be considered a Capital Project. The committee members wondered if there had been a change in the definition of custodial because there appeared to be more maintenance being paid for out the Capital Projects. Mr. Ciesynski remarked that the bonds were based on need and if the need were for the basic maintenance and repair of items, then the bond would be written to fund those. Over time the needs would change but it was difficult to write a bond resolution for the unknown.

Mr. Carano left the meeting at 10:15 a.m.

Chairman Carey asked if the District would be able to alleviate the need for a bond if the ballot question were worded in such a way that it would dedicate the funds for a specific capital need or project, such as a new school. He wanted to make sure the District would still be able to utilize future bonds for specific issues. Mr. Ciesynski noted that the District would word bond resolutions in such a manner that they would be able to track how the funds were spent for auditing purposes. All bond funds were required to be segregated by the Internal Revenue Service and expenditures tracked. If the District were told to do something similar through a ballot question, they could set up a separate fund under Capital Projects to assure the money was being spent as directed. Mr. Etchart added that any bond resolution also had to be approved by the Oversight Panel for School Facilities.

Mr. Ciesynski continued with the presentation. The restricted and specialized funds were reviewed. Monies from those funds could not be spent on any other program aside from the one they had been allocated for, such as Special Education Fund or Debt Service Fund, though the General Fund could supplement those funds. The expenditures for the District were presented. It was important to note that percentage wise, the District's expenses were similar to those of other school districts across the country, especially related to salaries. The majority of all money spent by the District

did go to the education of students.

Assemblywoman Benitez-Thompson left the meeting at 10:33 a.m.

Superintendent Davis stated that it was important for the committee to understand that the District was not “top heavy” in the number of administrators they had, despite what was generally stated by some in the community. Based on the number of students and programs in the District, the administrative staff was a little smaller than it should be.

The committee held a discussion on how there needed to be an educational component to any ballot question because most people did not understand the difference between capital funding and general funding. It would be important that the public understood any money raised from the proposed tax would be dedicated specifically for capital funding and could not be used on other programs or salaries.

Mr. Peek left the meeting at 10:42 a.m.

Mr. Ciesynski provided information on how staffing in the District was allocated at the schools. The District tried to keep class sizes as low as possible as a priority. They were the largest employer in Washoe County, with over 6,000 full-time employees and about 2,000 part-time or temporary employees. It was important to remember that education, by its very nature, was labor intensive and required a large number of employees.

A discussion was held on the increased funding the District received during the 2015 Legislative Session. It was noted that the increase in the distributive school account (DSA) amount was not in line with the Consumer Price Index (CPI), so in some ways the District was losing money because they had to pay more for certain goods and services. Some of the categorical funding the District received was able to free up costs from the General Fund for specific programs, such as full-day kindergarten.

e. Request and possible direction for future agenda items

Chairman Carey provided information to the Committee on a future presentation by The Cuningham Group on a study they had conducted for the District on managing growth. He urged the Committee to consider areas they would be interested in learning more about and provide him the information so the presentation could focus on what the Committee was most interested in learning about. He requested an information presentation from Committee Member Mike Kazmierski on potential growth projections from the Economic Development Authority of Western Nevada (EDAWN).

Senator Smith requested additional information on the ability of school districts to participate in ballot questions.

Mr. Shaver noted that it would be critical for a timeline to be developed for the Committee. He was concerned that too many requests would place a limit on what the Committee could accomplish and wanted to see them start to focus on the amount of money that should be considered and how to get to that figure.

4. Public Comment

Bill Horn expressed concern that information was not being presented to the community on agenda items related to overcrowding. He felt the only way a “yes” vote on any ballot question could be achieved was through the creation of trust with the community, which was not currently occurring. Additional collaboration needed to occur with all political entities in the area on how to solve the problem, including the state, county, and cities.

5. Adjourn Meeting

There being no further business to come before the members of the committee, Chairman Carey declared the meeting adjourned at 11:00 a.m.

Shaun Carey, Chair