

SECTION V



Debt Administration

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Debt Administration

Nevada Revised Statute 350.0035 requires local governments file a written debt management policy with the Department of Taxation and the Washoe County Debt Management Commission each year. The policy is used to analyze the existing debt position of the City and assess the impact of future financing requirements on the City's ability to service additional debt. This analysis is not intended to review the City's total financial position or to make projections of future expenditures other than debt service.

Review and analysis of the City's debt position is required to provide a capital financing plan for infrastructure and other improvements. Both available resources and City needs drive the City's debt issuance program. Long-term projected financing is linked with economic, demographic and financial resources expected to be available to repay the debt. City debt ratios are examined as well as the impact of future debt financing on those ratios. The use of debt ratios is only one tool of many in determining a course of action and is not used exclusively in making a decision.

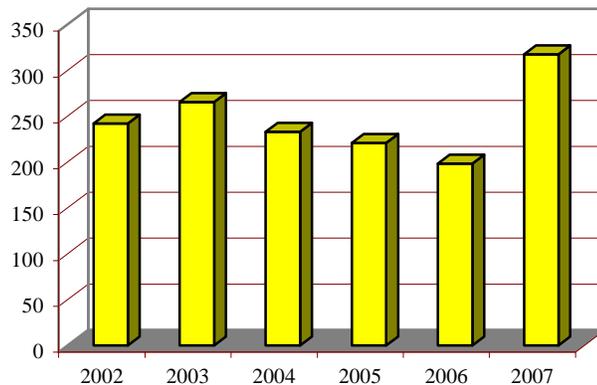
Decisions regarding the use of debt is based upon a number of factors including, but not limited to, the long-term needs of the City and the amount of resources available to repay the debt. The debt policy is not expected to anticipate every future contingency in the City's capital program or future operational needs. Sufficient flexibility is required to enable City management to respond to unforeseen circumstances or new opportunities, when appropriate.

The City will maintain direct tax supported debt at a manageable level considering economic factors including population, assessed valuation, and other current and future tax-supported essential service needs. For bonds being repaid solely with property taxes, the City will strive for a debt service fund balance in an amount not less than the succeeding year's principal and interest requirements, or in compliance with reserve fund requirements as established in bond covenants, whichever is greater. The following chart and graph show the relationship between net bonded debt and population and assessed value for the City. Net bonded debt equals total general obligation debt less debt paid from enterprise fund revenues, from special assessment against benefited properties, and from special revenue sources payable solely from revenues derived from other than general ad valorem taxes.

Comparison of Debt to Assessed Valuation

Year	Assessed Valuation	General Obligation Debt
2003	4,501,164,755	44,539,109
2004	4,757,940,008	49,860,000
2005	5,105,374,124	45,055,000
2006	5,596,976,284	40,960,000
2007	6,437,304,944	67,240,717

Net Bonded Debt per Capita



The City can sell its debt directly to a bank or it can issue bonds in the municipal bond market. The decision to issue bonds or to obtain bank financing is based upon which alternative will provide the City with the lower costs. The City Council decides on an issue-by-issue basis which method of sale would be most appropriate. The City encourages the use of competitive sales for all issues unless circumstances dictate otherwise. Negotiated sales are considered if the sale is a complex financing structure (certain revenue issues, a combination of taxable/nontaxable issues, etc.) or based upon other factors which lead the Finance Department to conclude that a competitive sale would be less effective. If a negotiated sale is anticipated, then the Finance Department and City Bond Counsel establish a list of pre-qualified underwriters.

The City maintains an A1 rating from Moody's and received an upgrade to A+ from A from Standard and Poor's in December 2002.

Legal Debt Margin

The City Charter limits the aggregate principal amount of the City's general obligation debt to fifteen percent (15%) of the City's total reported assessed valuation. Based upon the assessed valuation of \$6.4 billion for the fiscal year ending June 30, 2007, the City is limited to general obligation indebtedness in the aggregate amount of \$965.6 million. The City has \$67.2 million of general obligation debt outstanding as of June 30, 2007.

Debt Margin Calculation

Assessed Valuation	\$6,437,304,944
<u>Charter Limitation on Debt</u>	<u>15%</u>
Debt Limit	\$ 965,595,742

Summary of Outstanding Debt

General Obligations Bonds supported by Ad Valorem Taxes

The City has outstanding general obligation and refunding bonds for capital facilities, including street and storm drain improvements, public safety (fire station) improvements, and park facility improvements, in the amount of \$20,160,000. These bonds are supported by ad valorem taxes

and constitute direct and general obligations of the City. The full faith and credit of the City is pledged for the payment of principal and interest, subject to Nevada Constitutional and statutory limitations on the aggregate amount of ad valorem taxes.

In any year in which the total property taxes (ad valorem) levied within the City by all overlapping entities (e.g. the State, Washoe County and special districts) exceed such tax limitations (\$3.64 per \$100 of assessed value), the reduction to be made by those units must be in taxes levied for purposes other than the payment of their bonded indebtedness, including interest on such indebtedness.

General Obligation (Limited Tax) Medium-Term Bonds

The City issued medium-term bonds in 1996 to finance improvements to the McKinley Park Recreation Center, for the removal of underground storage tanks, and for the construction and equipment of the McQueen area fire station, in the amount of \$3,460,000. Debt and operating costs for the new fire station are being recovered from a voter-approved ad valorem tax override in 1997/98.

The City also issued \$5.2 million of medium-term bonds in 1997 to finance the purchase of the YWCA recreation center and for rehabilitation of Paradise Park, which was severely impacted by the drought of the late 1980's and early 1990's. A portion of the initial bonds were refunded in 2004. Both projects are in CDBG eligible areas and repayment of the bonds was secured and approved by pledged CDBG grants during the 10-year repayment schedule.

General Obligation Bonds Supported by Golf Course Revenues

The City issued these bonds in 1989 to finance the construction of the Rosewood Lakes Golf Course, an 18-hole professional course with a clubhouse and a maintenance facility. A portion of the initial bonds were refunded in 1993 and in 2004. The bonds are payable from net pledged revenues (user fees) derived from the operation of the golf course. Although the bonds are general obligations of the City, the City has paid the bonds solely from the net pledged revenues.

Special Assessment District Debt

The City established "Special Assessment Districts" (SAD's) to finance various improvements such as streets, sidewalks, sewer lines, and other projects described in NRS 271.265. A special assessment is a charge imposed against certain properties to defray part or all the cost of a specific improvement deemed to primarily benefit those properties, separate and apart from the general benefit accruing to the public at large. Since the special assessment is not available until construction is in progress, the City issues either interim warrants, which are essentially a short-term construction loan, or self-finances. Interim warrants are usually structured as a bank line of credit. Funds from the interim warrants are advanced from time to time from banks as construction financing is needed. Current SAD debt outstanding is \$26,614,172.

Interim warrants are payable from special assessments to be levied to pay, in part, the costs of improvements in assessment districts and/or from the proceeds of special assessment bonds. If these sources become insufficient to pay the interim warrants and the interest as such becomes due, the deficiency may be paid out of the Surplus and Deficiency Fund, and then further by the General Fund of the City. If there is a deficiency in the General Fund, it is mandatory for the City (in accordance with the provisions of NRS 271.495) to levy and collect ad valorem taxes upon all property in the City which is by law taxable for State, County and municipal purposes, subject to the limitations of constitutional and statutory requirements. The City's intent is to

retire any interim warrants and interest thereon with special assessments and/or assessment district bond proceeds and not levy a general ad valorem tax.

ReTRAC Bonds supported by Sales Tax and Room Tax

In December of 1998 the City issued the bonds in the amount of \$114,245,000 to finance a portion of the construction of a depressed railway through the downtown corridor. Additional funding for the project is being provided through state and federal funding sources.

Event Center Bonds supported by Room Tax

In 2002 the Reno Sparks Convention and Visitors Center sold the Downtown Bowling Center to the City, while retaining responsibility for marketing and maintenance of the facility. The City issued bonds in the amount of \$108,625,000 for expansion and remodel of the facility. The bonds are limited obligations payable from Room Tax specifically designated for this purpose.

Tax Allocation Bonds - Redevelopment Agency

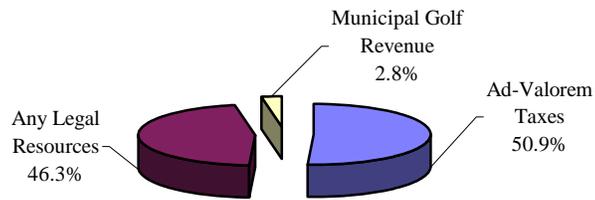
Nevada Revised Statutes provide a means for financing redevelopment projects based upon an allocation of certain ad valorem property taxes collected within a redevelopment project area. The taxable valuation of property within a redevelopment project area last equalized prior to the effective date of the ordinance which adopts the redevelopment plan, becomes the base valuation. Taxes collected upon any increase in taxable valuation over the base valuation are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy taxes and must look specifically to the allocation of taxes procedure as described above. In 1995 and 1998, the Agency refunded a portion of the original issues.

The table on the following page summarizes the City's and Redevelopment Agency's outstanding debt.

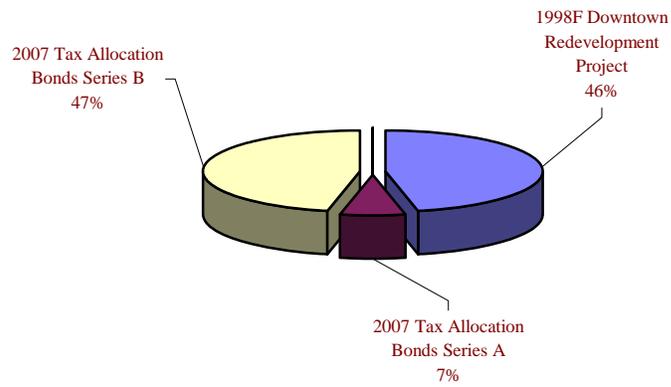
Current Outstanding Debt

Bonds	Interest Rate	Maturity Date	Authorized & Issued	Outstanding	2007/2008 Requirements	
					Principal	Interest
CITY OF RENO						
General Obligation Bonds						
Supported by Ad-Valorem Taxes						
1997 Street Refunding Bonds	4.2 -5.125%	5/1/12	9,025,000	6,715,000	965,000	338,119
2003 Capital Improvement Refunding	4-5%	4/1/10	21,705,000	13,445,000	3,120,000	672,250
Subtotal:			30,730,000	20,160,000	4,085,000	1,010,369
Supported by Any Legally Available Resources						
2003 Building Bond A	3.750%	6/1/18	6,100,000	6,100,000	-	228,750
2003 Building Bond B	6.170%	6/1/11	4,800,000	3,265,000	575,000	201,451
2004 Nevada Building Bond	4.00-5.00%	6/30/24	3,500,000	3,385,000	120,000	142,048
2004 B Medium Term Refunding Bonds	1.5-2.00%	8/1/07	3,680,000	1,660,000	1,040,000	22,800
2004 Sewer Revenue Bonds	2.99%	6/30/24	26,609,957	26,280,717	1,116,111	790,370
2005 Medium Term	4.00%	12/1/15	3,275,000	3,275,000	270,000	125,600
Subtotal:			47,964,957	43,965,717	3,121,111	1,511,019
Supported by Municipal Golf Course Revenues						
2004 A Golf Course Refunding	2.25 - 4.0%	7/1/19	3,505,000	3,115,000	185,000	94,346
Subtotal:			3,505,000	3,115,000	185,000	94,346
Total General Obligation Bonds:			82,199,957	67,240,717	7,391,111	2,615,734
Special Assessment District Debt						
1995 SAD #1	5.40%	6/1/09	206,000	63,000	21,000	1,701
1996 SAD #1	5.40%	6/1/09	251,000	75,000	25,000	4,050
1997 SAD #2	6.09%	4/1/10	48,000	20,000	5,000	1,218
1997 SAD #3	6.09%	4/1/10	66,000	28,000	7,000	1,705
1998 SAD #1	6.09%	4/1/10	214,000	92,000	23,000	5,603
1998 SAD #2	6.09%	4/1/10	74,000	32,000	8,000	1,949
1999 SAD #1	5.90%	1/1/11	44,700	23,000	4,600	1,357
1999 SAD #2	6.08-7.28%	1/1/25	13,905,000	13,905,000	355,000	903,763
1999 SAD #3	4.5-5.6%	2/1/22	1,763,728	1,405,000	90,000	71,930
2000 SAD #1	4.39%	1/15/12	147,438	88,464	14,744	3,884
2001 SAD #1	5.39%	5/17/12	22,652	16,990	2,831	916
2001 SAD #2	2.75-5.00%	6/1/23	2,470,000	2,170,000	100,000	84,163
2002 SAD #1	6.00%	9/1/13	30,319	26,316	2,872	1,537
2002 SAD #2	6.00%	3/1/14	66,602	58,406	5,882	3,417
2002 SAD #5	3.00-5.00%	12/1/25	7,500,000	7,500,000	260,000	513,013
2003 SAD #1	6.00%	3/1/14	176,135	154,460	15,556	9,038
2003 SAD #2	4.90%	3/1/15	54,124	54,124	4,920	6,131
2004 SAD #1	4.90%	3/1/15	154,980	154,980	14,077	7,235
2004 SAD #3	5.00%	3/1/15	100,661	96,975	4,497	9,215
2004 SAD #4	5.50%	3/1/25	519,281	491,788	27,493	19,623
2005 SAD #1	7.35%	3/1/16	158,669	158,669	11,224	12,015
Total Special Assessment District Debt:			27,973,289	26,614,172	1,002,696	1,663,463
ReTRAC and Event Center Bonds Supported by Sales Tax and Room Tax Revenues						
2006A Retrac Senior Lien - Refunding	3.78%	6/30/40	137,425,000	137,425,000	650,000	5,595,732
2006B Retrac Senior Lien - Refunding	6.00-6.875%	6/30/46	51,248,693	51,248,693	-	1,506,733
2006C Retrac Senior Lien - Refunding	5.91%	6/30/36	8,720,000	8,720,000	75,000	555,435
2006 Retrac Lease Revenue Bonds	5.75%	6/30/26	14,295,000	14,295,000	-	0
2002 Event Center Bonds	5.125-5.375%	6/1/32	108,625,000	-	-	-
2005A Capital Refunding Bonds	3.53%	6/1/32	73,450,000	73,450,000	-	2,592,785
2005B Capital Refunding Bonds	5.42-5.49%	6/1/40	6,445,154	6,445,154	-	-
2005C Capital Refunding Bonds	5.78%	6/1/37	9,192,402	9,192,402	-	-
Total ReTRAC and Event Center Bonds:			409,401,249	300,776,249	725,000	10,250,685
Other						
Hud Section 108 Loan	5.0-6.62%	8/1/20	660,000	541,000	44,000	30,239
State Clean Water Revolving Loan Fund #1	2.85-2.87%		74,824,000	35,773,633	-	919,923
State Clean Water Revolving Loan Fund #2	2.85-2.87%		10,176,000	7,296,432	-	136,585
Total Other			85,660,000	43,611,065	44,000	1,086,747
Capital Leases						
Oshkosh Capital	5.35%	11/6/11	708,338	565,933	52,636	30,277
E-One	4.49%	12/21/09	612,873	500,823	117,082	22,487
Oshkosh Capital	4.49%	3/17/14	787,124	694,242	97,517	34,643
Pierce Quantum	4.39%	8/26/14	788,014	788,014	73,280	34,594
Total Capital Leases			2,896,349	2,549,012	340,515	122,001
TOTAL CITY OF RENO OUTSTANDING DEBT:			608,130,844	440,791,215	9,503,322	15,738,630
REDEVELOPMENT AGENCY #1						
Tax Allocation Bonds						
Supported by Ad-Valorem Taxes						
1995A Downtown Redevelopment Project	5.15-6.2%	6/1/18	23,995,000	995,000	995,000	501,360
1998A Downtown Redevelopment Project	6.10-6.75%	6/1/18	4,000,000	140,000	140,000	124,706
1998F Downtown Redevelopment Project	4.5-5.25%	9/1/17	22,685,000	15,655,000	1,020,000	761,608
2007 Tax Allocation Bonds Series A	6.10%	6/1/23	4,000,000	4,000,000	-	-
2007 Tax Allocation Bonds Series B	5.00%	6/1/27	4,000,000	4,000,000	-	-
2007 Tax Allocation Bonds Series C	5.40%	6/1/27	12,690,000	12,690,000	-	-
TOTAL REDEVELOPMENT AGENCY TAX ALLOCATION BONDS:			71,370,000	37,480,000	2,155,000	1,387,674

City of Reno
2007/08 General Obligation Bonds
Principal & Interest Requirements
\$8,533,261



Redevelopment Agency
2007/08 Tax Allocation Bonds
Principal & Interest Requirements
\$3,827,922



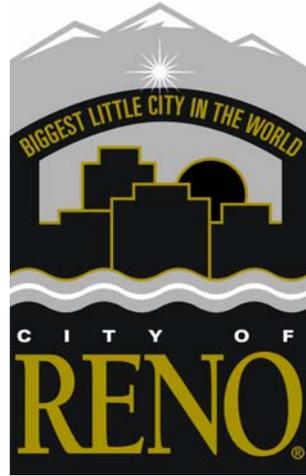
Effect of Outstanding Debt on Future Ad Valorem Tax Rates

The table below illustrates ad valorem debt service requirements and the estimated tax rate required to retire the City's outstanding ad valorem supported General Obligation Bonds.

Estimated Tax Rate Required to Service Existing General Obligation Debt

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Assessed</u> <u>Valuation</u>	<u>Principal and</u> <u>Interest</u>	<u>Estimated</u> <u>Tax Rate</u>
2005	5,596,976	6,084,413	0.0918
2006	6,437,305	6,098,446	0.0689
2007	7,844,463	5,095,369	0.0696
2008	8,079,797	5,101,119	0.0631
2009	8,322,191	5,112,394	0.0614
2010	8,571,857	5,126,394	0.0598
2011	8,829,012	1,342,821	0.0152
2012	9,083,883	1,350,856	0.0149

The assessed Valuation is based on historical growth rate of 4.48% and is shown in thousands. Since 1993/94, the reduction in the debt tax rate has been added to the tax override for street maintenance. This was passed by the voters in 2004 and again in 2006 and runs through 2037/38.



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