SECTION V

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Debt Administration

Debt Administration

Nevada Revised Statute 350.0013 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.

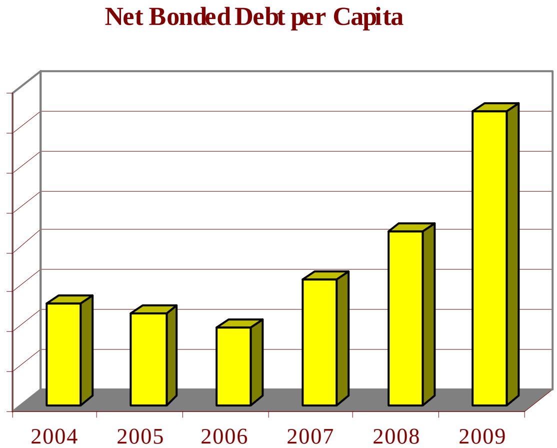
Review and analysis of the City's debt position is required to provide a capital financing plan for infrastructure and other improvements. Both available resources and City needs drive the City's debt issuance program. Long-term projected financing is linked with economic, demographic and financial resources 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.

Comparison of Debt to Assessed Valuation

Year	Assessed Valuation	General Obligation Debt
2005	5,105,374,124	45,055,000
2006	5,596,976,284	40,960,000
2007	6,437,304,944	67,240,717
2008	7,807,016,641	95,796,774
2009	9,353,292,859	164,574,245
2010	8,428,163,926	



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.

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 Aa1 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 $9.35 billion for the fiscal year ending June 30, 2009, the City is limited to general obligation indebtedness in the aggregate amount of $1.403 billion. The City has $164.6 million of general obligation debt outstanding as of June 30, 2009.

Debt Margin Calculation

Assessed Valuation	$9,353,292,859
Charter Limitation on Debt	15%
Debt Limit	$1,402,993,929

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 $7,260,000. 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 $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 $24,080,432.

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 to finance a portion of the construction of a depressed railway (trench) through the downtown corridor. Additional funding for the project is being provided through state and federal funding sources. Since the original issue, further enhancements to the trench have been made. The current outstanding debt for the ReTRAC enhancements is $212,451,227.

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.

City’s Accelerated Street Program Bonds

The City has developed criteria to accelerate the construction, improvement and maintenance of neighborhood streets in order to improve the condition of the streets for use by the traveling public. The City issued bonds in June, 2009 for $45,000,000. The City expects to fund portions of the Project in each of the fiscal years 2010, 2011 and 2012. While these bonds are General Obligation bonds, the City expects to pay the principal and interest on the debt from proceeds generated by the Streets Override measures as allowed by state statute.

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.

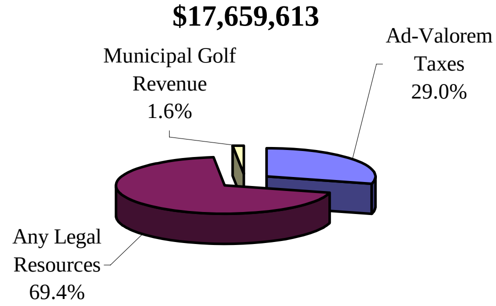
The table on the following page summarizes the City’s and Redevelopment Agency’s outstanding debt.

Current Outstanding Debt

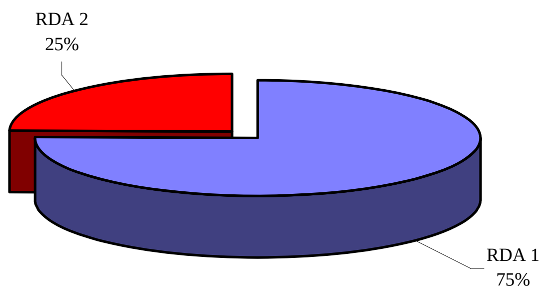
Bonds	Interest Rate	Maturity Date	Authorized & Issued	Outstanding	2009/2010 Requirements Principal	2009/2010 Requirements Interest
CITY OF RENO						
General Obligation Bonds						
Supported by Ad-Valorem Taxes						
1997 Street Refunding Bonds	4.2 -5.125%	5/1/12	9,025,000	3,645,000	1,145,000	185,642
2003 Capital Improvement Refunding	4-5%	4/1/10	21,705,000	3,615,000	3,615,000	180,750
Subtotal:			**30,730,000**	**7,260,000**	**4,760,000**	**366,392**
Supported by Any Legally Available Resources						
2003 Building Bond A	3.750%	6/1/18	6,100,000	6,100,000	-	287,310
2003 Building Bond B	6.170%	6/1/11	4,800,000	1,425,000	690,000	87,923
2004 Nevada Building Bond	4.00-5.00%	6/30/24	3,500,000	3,005,000	140,000	126,248
2004 B Medium Term Refunding Bonds	1.5-2.00%	8/1/07	3,680,000	-	-	-
2005 Medium Term	4.00%	12/1/15	3,275,000	2,425,000	305,000	90,900
2004 Sewer Revenue Bonds	2.99%	6/30/24	73,133,162	63,791,150	3,504,924	1,847,728
2005 Sewer Revenue Bonds	2.65%	7/1/25	8,033,095	8,033,095	375,952	200,699
2008 Medium Term Sewer Bonds	3.84%	4/1/18	25,000,000	25,000,000	2,079,000	880,282
2009 Medium Term Street Bonds	4.16%	6/1/19	45,000,000	45,000,000	-	1,635,577
Subtotal:			**172,521,257**	**154,779,245**	**7,094,876**	**5,156,667**
Supported by Municipal Golf Course Revenues						
2004 A Golf Course Refunding	2.25 - 4.0%	7/1/19	3,505,000	2,535,000	200,000	81,678
Subtotal:			**3,505,000**	**2,535,000**	**200,000**	**81,678**
Total General Obligation Bonds:			**206,756,257**	**164,574,245**	**12,054,876**	**5,604,737**
Special Assessment District Debt						
1997 SAD #2	6.09%	4/1/10	48,280	5,164	5,164	305
1997 SAD #3	6.09%	4/1/10	66,009	7,061	7,061	426
1998 SAD #1	6.09%	4/1/10	211,894	22,665	22,665	1,402
1998 SAD #2	6.09%	4/1/10	75,817	8,110	8,110	487
1999 SAD #1	5.90%	1/1/11	44,700	9,200	4,600	543
1999 SAD #2	6.08-7.28%	1/1/25	13,905,000	12,715,000	460,000	903,873
1999 SAD #3	4.5-5.6%	2/1/22	1,763,728	1,135,000	90,000	59,600
2000 SAD #1	4.39%	1/15/12	147,438	44,232	14,744	1,942
2001 SAD #2	2.75-5.00%	6/1/23	2,470,000	1,870,000	105,000	75,162
2002 SAD #5	3.00-5.00%	12/1/25	7,500,000	6,820,000	230,000	473,366
2008 SAD A	4.17%	5/1/18	430,000	392,000	37,000	16,335
2008 SAD B	7.01%	5/1/21	1,115,000	1,052,000	67,000	73,745
Total Special Assessment District Debt:			**27,777,866**	**24,080,432**	**1,051,344**	**1,607,186**
Bonds Supported by Sales Tax and Room Tax Revenues						
2008A Retrac Senior Lien - Refunding	3.32%	6/1/42	143,210,000	142,515,000	1,125,000	4,731,498
2008B Retrac Senior Lien - Refunding	7.88%	6/1/51	47,416,227	47,416,227	-	843,750
2006C Retrac Senior Lien - Refunding	5.91%	6/30/36	8,645,000	8,400,000	135,000	496,440
2006 Retrac Lease Revenue Bonds	5.75%	6/30/26	14,295,000	14,120,000	215,000	802,893
2006 Sales Tax Increment	5.75%	10/1/20	10,000,000	9,567,473	-	-
2002 Event Center Bonds	5.125-5.375%	6/1/32	108,625,000	41,820,000	805,000	2,216,725
2005A Capital Refunding Bonds	3.53%	6/1/32	73,450,000	72,625,000	425,000	2,563,663
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	-	-
2007 Tax (Fitz)	5.75%	7/1/27	6,080,000	6,080,000	72,000	347,530
Cabela's 2007 A Tax Exempt Sales Tax	4.00%	6/29/27	16,525,000	16,465,000	245,000	655,200
Cabela's 2007 B Taxable Sales Tax	6.50%	6/29/27	18,175,000	17,995,000	215,000	1,166,263
Total Bonds Supported by Sales/Room Tax:			**462,058,783**	**392,641,256**	**3,237,000**	**13,823,962**
Other						
Hud Section 108 Loan	5.0-6.62%	8/1/20	660,000	402,000	33,000	23,954
Total Other			**660,000**	**402,000**	**33,000**	**23,954**
Capital Leases						
Oshkosh Capital	5.35%	11/6/11	708,338	399,427	61,544	21,369
E-One	4.49%	12/21/09	612,873	133,571	133,571	5,997
Oshkosh Capital	4.49%	3/17/14	787,123	386,850	112,856	19,304
Oshkosh Capital	4.49%	9/1/18	2,082,622	1,890,281	201,091	86,197
Sun Trust	4.06%	6/27/16	1,245,277	105,767	127,100	40,854
Oshkosh Capital	4.39%	8/26/14	788,014	638,237	83,361	24,513
Total Capital Leases			**6,224,247**	**3,554,133**	**719,523**	**198,234**
TOTAL CITY OF RENO OUTSTANDING DEBT:			**703,477,153**	**585,252,066**	**17,095,743**	**21,258,073**

Bonds	Interest Rate	Maturity Date	Authorized & Issued	Outstanding	2009/2010 Requirements Principal	2009/2010 Requirements Interest
CITY OF RENO						
REDEVELOPMENT AGENCY #1						
Tax Allocation Bonds						
Supported by Ad-Valorem Taxes						
1998F Downtown Redevelopment Project	4.5-5.25%	9/1/17	22,685,000	12,450,000	1,185,000	600,731
2007 Tax Allocation Bonds Series A	6.10%	6/1/23	4,000,000	4,000,000	-	244,000
2007 Tax Allocation Bonds Series B	5.00%	6/1/27	4,000,000	4,000,000	-	200,000
2007 Tax Allocation Bonds Series C	5.40%	6/1/27	12,690,000	12,690,000	-	685,260
Total Redevelopment Agency #1			**43,375,000**	**33,140,000**	**1,185,000**	**1,729,991**
REDEVELOPMENT AGENCY #2						
Tax Allocation Bonds						
Supported by Ad-Valorem Taxes						
NV Land LLC	variable	6/30/18	6,000,000	5,400,000	600,000	275,000
Cabela's	6.50%	12/29/22	850,000	840,000	30,000	54,112
Total Redevelopment Agency #2			6,850,000	6,240,000	630,000	329,112
TOTAL REDEVELOPMENT AGENCY TAX ALLOCATION BONDS:			**50,225,000**	**39,380,000**	**1,815,000**	**2,059,103**

City of Reno
2009/10 General Obligation Bonds
Principal & Interest Requirements
$17,659,613



Redevelopment Agency
2009/10 Tax Allocation Bonds
Principal & Interest Requirements
$3,874,103



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

Fiscal Year Ended June 30	Assessed Valuation	Principal and Interest	Estimated Tax Rate
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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