

***CLARK COUNTY
WATER RECLAMATION DISTRICT,
NEVADA***

DEBT MANAGEMENT POLICY



***IN ACCORDANCE WITH
NRS 350.013 (1) (c)***

JUNE 30, 2024

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DEBT MANAGEMENT POLICY

NRS 350.013 Subsection (1) (c)

Listed below are excerpts from the Nevada Revised Statutes which require local governments to submit a debt management policy:

NRS 350.013 Municipalities to submit annually statement of current and contemplated general obligation debt and special elective taxes, statement of debt management policy, plan for capital improvement or alternate statement and certain information regarding chief financial officer; update of information; exceptions.

1. Except as otherwise provided in this section, on or before August 1 of each year, the governing body of a municipality which proposes to issue or has outstanding any general obligation debt, other general obligations or special obligations, or which levies or proposes to levy any special elective tax, shall submit to the department of taxation and the commission:

(c) A written statement of the debt management policy of the municipality, which must include, without limitation:

(1) A discussion of its ability to afford existing general obligation debt, authorized future general obligation debt and proposed future general obligation debt;

(2) A discussion of its capacity to incur authorized and proposed future general obligation debt without exceeding the applicable debt limit;

(3) A discussion of its general obligation debt that is payable from property taxes per capita as compared with such debt of other municipalities in the state;

(4) A discussion of its general obligation debt that is payable from property taxes as a percentage of assessed valuation of all taxable property within the boundaries of the municipality;

(5) Policy regarding the manner in which the municipality expects to sell its debt;

(6) A discussion of its sources of money projected to be available to pay existing general obligation debt, authorized future general obligation debt and proposed future general obligation debt; and

(7) A discussion of its operational costs and revenue sources, for the ensuing 5 fiscal years, associated with each project included in its plan for capital improvement submitted pursuant to paragraph (d), if those costs and revenues are expected to affect the property tax rate.

This document is intended to meet the requirements of NRS 350.013 subsection 1(c), it is not a review of the Clark County Water Reclamation District's (the "District") total financial position.

Ability to Afford Existing Debt, Future and Proposed General Obligation Debt

Response to NRS 350.013 (1) (c):

(1) A discussion of its ability to afford existing general obligation debt, authorized future general obligation debt and proposed future general obligation debt; and

(6) A discussion of its sources of money projected to be available to pay existing general obligation debt, authorized future general obligation debt and proposed future general obligation debt.

Security

General Obligations - The District's general obligation/revenue supported bonds (the "Bonds") constitute direct and general obligations of the District, payable as to principal and interest from annual general (ad valorem) taxes levied against all taxable property within the District (except to the extent any other monies are made available therefor), subject to the Nevada constitutional and statutory limitations on the aggregate amount of ad valorem taxes. The Bonds are additionally secured by certain pledged revenues derived by the District's gross revenues remaining after the deduction of operation and maintenance expenses ("Net Pledged Revenues"). The District does not levy an ad valorem tax for the payment of Bonds or other obligations because District revenues have been sufficient to pay debt service on all of the District's bonds and obligations secured by such revenues.

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Outstanding Debt

The following table sets forth the District’s outstanding general obligation bonded indebtedness supported by sewer revenues as of June 30, 2024.

**SELF SUPPORTING GENERAL OBLIGATION BONDS
(Supported by Sewer Revenues)
Clark County Water Reclamation District, Nevada
As of June 30, 2024**

	Issuance Date	Original Amount	Amount Outstanding
<u>GENERAL OBLIGATION REVENUE SUPPORTED BONDS</u>			
<u>PARITY OBLIGATIONS</u>			
Water Reclamation Refunding Bonds, Series 2015	06/24/2015	\$103,625,000	\$84,160,000
Water Reclamation Refunding Bonds, Series 2016	08/03/2016	269,465,000	227,700,000
Water Reclamation Bonds, Series 2023	07/16/2023	340,000,000	<u>340,000,000</u>
Subtotal Parity Obligations			651,860,000
<u>SUBORDINATE OBLIGATIONS</u>			
Water Reclamation Bond, Series 2009C (SRF Loan)	10/16/2009	5,744,780	1,707,908
Water Reclamation Bond, Series 2011A (SRF Loan)	03/25/2011	40,000,000	18,688,814
Water Reclamation Bond, Series 2012A (SRF Loan)	07/13/2012	30,000,000	<u>16,546,536</u>
Subtotal Subordinate Obligations			<u>36,943,258</u>
TOTAL			<u><u>\$688,803,258</u></u>

SOURCE: Clark County Water Reclamation District, Nevada

Additional Bonds

The District does not contemplate issuing any general obligation debt at this time. However, the District reserves the privilege of issuing general obligation bonds at any time legal requirements are satisfied.

Debt Service Requirements

The following table includes the debt service to maturity on the District’s outstanding general obligation bonds supported by Sewer Revenues as of June 30, 2024.

**SELF-SUPPORTING GENERAL OBLIGATION DEBT SERVICE ⁽¹⁾
 (Supported by Sewer Revenues)
 Clark County Water Reclamation District, Nevada
 As of June 30, 2024**

Fiscal Year			
Ending June 30,	Principal	Interest	Total
2025	\$24,638,913	\$29,518,168	\$54,157,081
2026	25,788,961	28,366,120	54,155,081
2027	26,997,511	27,157,696	54,155,207
2028	28,269,665	25,889,916	54,159,581
2029	29,635,533	24,706,923	54,342,456
2030	30,564,960	23,646,220	54,211,180
2031	31,503,323	22,568,917	54,072,240
2032	29,622,217	21,425,353	51,047,570
2033	29,717,175	20,188,822	49,905,997
2034	29,985,000	18,895,075	48,880,075
2035	31,310,000	17,588,600	48,898,600
2036	32,690,000	16,223,875	48,913,875
2037	34,145,000	14,893,275	49,038,275
2038	35,450,000	13,601,200	49,051,200
2039	37,390,000	12,248,625	49,638,625
2040	10,605,000	11,289,625	21,894,625
2041	11,150,000	10,745,750	21,895,750
2042	11,720,000	10,174,000	21,894,000
2043	12,325,000	9,572,875	21,897,875
2044	12,955,000	8,940,875	21,895,875
2045	13,620,000	8,276,500	21,896,500
2046	14,320,000	7,578,000	21,898,000
2047	15,055,000	6,843,625	21,898,625
2048	15,825,000	6,071,625	21,896,625
2049	16,635,000	5,260,125	21,895,125
2050	17,490,000	4,407,000	21,897,000
2051	18,385,000	3,510,125	21,895,125
2052	19,330,000	2,567,250	21,897,250
2053	20,320,000	1,576,000	21,896,000
2054	21,360,000	534,000	21,894,000
TOTAL	\$688,803,258	\$414,266,160	\$1,103,069,418

Totals may not agree due to rounding.

(1) Includes the parity and subordinate obligations.

SOURCE: Clark County Water Reclamation District

Net Pledged Revenues

The following table sets forth the historical and budgeted Net Pledged Revenues for fiscal years 2018-19 through 2022-23 and estimated Net Pledged Revenues for fiscal year 2023-24.

HISTORICAL AND BUDGETED NET PLEDGED REVENUES Clark County Water Reclamation District, Nevada

Fiscal Year Ended June 30,	2019 (Actual)	2020 (Actual)	2021 (Actual)	2022 (Restated)	2023 (Actual)	2024 (Estimated)	2025 (Budget)
REVENUES							
Sewer Service Charges ⁽¹⁾	\$152,709,014	\$160,316,145	\$163,367,533	\$173,745,086	\$181,277,137	\$189,822,795	\$206,116,352
System Development Fees	30,463,343	24,942,388	25,948,289	34,747,232	26,648,512	28,016,444	20,886,553
Effluent Sales Investment	8,020,378 ⁽⁷⁾	539,510	674,979	543,091	438,932	468,967	650,000
Earnings ⁽²⁾	20,077,092	27,266,630	(285,800)	(27,151,876)	4,372,232	22,433,915	15,089,691
Other ⁽³⁾	125,902	191,168	224,402	157,488	191,239	167,485	190,000
Total Revenue	\$211,395,729	\$213,255,841	\$189,929,403	\$182,041,021	\$212,928,052	\$240,909,606	\$242,932,596
OPERATING EXPENSES ⁽⁴⁾							
Net Pledged Revenues	\$133,482,376	\$131,144,301	\$108,964,247	\$105,574,731	\$118,013,481	\$132,902,627	\$134,925,617
Parity Debt Service ⁽⁵⁾	\$26,408,788	\$26,779,900	\$26,784,650	\$26,788,150	\$26,788,900	\$34,519,947	\$48,687,175
Parity Coverage	5.05x	4.90x	4.07x	3.94x	4.41x	3.85x	2.77x
Parity and Subordinate Debt Service ⁽⁶⁾	\$31,878,694	\$32,249,806	\$32,254,557	\$32,258,057	\$32,258,807	\$39,989,853	\$54,157,082
All-in Coverage	4.19x	4.07x	3.38x	3.27x	3.66x	3.32x	2.49x

- (1) Includes revenues collected from sewer service charges and related fees, pretreatment and septage fees.
- (2) Includes both restricted and unrestricted investment earnings. The District's investments are held in the District's name and are reported at fair value regardless of the length of time remaining to maturity. Investment revenue is increased or decreased in relation to this adjustment for unrealized gains or losses.
- (3) Does not include "Other non-operating revenue".
- (4) Does not include depreciation expense; interest expense on bonds; and "Other non-operating expenses."
- (5) Represents actual debt service paid in fiscal years 2018-19 through 2022-23. Debt service for fiscal year 2023-24 is estimated and includes the 2023 Bonds. Excludes debt service on all obligations with a subordinate lien on the Net Pledged Revenues.
- (6) Represents actual debt service paid in fiscal years 2018-19 through 2022-23. Debt service for fiscal year 2023-24 is estimated and includes the 2023 Bonds. Includes debt service on all obligations with a parity and subordinate lien on the Net Pledged Revenues.
- (7) Additionally, the District has long-term receivables that are due from the Las Vegas Valley Water district (LVVWD) in accordance with a cooperative agreement for the reimbursement of operation, maintenance, and capital costs of the Desert Breeze Water Resource Center (DBWRC). In fiscal year 2018, the receivables were carried net of an allowance for uncollectable amounts maintained for estimated losses. In fiscal year 2018, this obligation was classified as noncurrent because it was not reasonably expected to be paid within a year or during the normal operating cycle of the District. In fiscal year 2018-19, an agreement was signed with LVVWD, and LVVWD paid \$11,144,842 to the District, liquidating the receivable and crediting reclaimed water sales in the amount of \$7,445,311.

SOURCE: Derived from the District's Annual Comprehensive Financial Report for the years ended June 30, 2019 through 2023, and the Clark County Final Budget for Fiscal Year 2024-25. Compiled by the Municipal Advisors.

Operation Costs and Revenue Sources for Projects in Capital Improvement Plan

Response to NRS 350.013 (1) (c):

- (7) *A discussion of its operational costs and revenue sources, for the ensuing 5 fiscal years, associated with each project included in its plan for capital improvement submitted pursuant to paragraph (d), if those costs and revenues are expected to affect the tax rate.*

As illustrated in the table with Historical and Budgeted Net Pledged Revenues, Expenses and Net Income in this document, operational costs are funded with operating revenues. The District does not levy a tax rate, therefore, operations costs associated with any project in the Capital Improvements Program (the “CIP”) will be supported within existing revenue resources.

The District’s CIP is a plan for the rehabilitation, replacement and capacity expansion of existing infrastructure and building new facilities to meet demands from customer use impacts, technological improvements, and wastewater discharge requirements. It is used to link the District’s physical development planning with fiscal planning.

The District’s CIP includes major projects requiring the expenditure of District resources, over and above annual operating expenses, for the purchase, construction, rehabilitation or replacement of the physical assets. Major capital projects are normally non-recurring (e.g., new buildings, investment in new technology, etc.).

The CIP program identifies project costs associated with the planning/design/engineering, land acquisition, and construction of new facilities and/or major asset rehabilitation and replacement projects. The CIP project submittal process also requests and evaluates information relating to any ongoing operation/maintenance costs associated with projects. (These expenses are not included in the total project cost).

Some CIP projects reduce operational and maintenance costs. Many infrastructure rehabilitation projects will reduce long-term operational and maintenance costs and may extend the useful life of the assets. Certain projects in the technology/equipment/process upgrade categories may also reduce annual operating and maintenance costs by automating functions, increasing process efficiencies, or reducing energy use. Project evaluation by the District’s Staff includes consideration of the operations and maintenance impacts of each project.

New conveyance or treatment facilities can have a direct and long-lasting impact on the District’s operating budget. New facilities call for additional operating and maintenance costs including, but not limited to, staff, computers, equipment, utilities, and other maintenance costs. Increased expenditures must be anticipated for not only the direct costs associated with the new facility, but for any additional indirect costs that will be incurred.

Debt Capacity

Response to NRS 350.013 (1) (c):

- (2) *A discussion of its capacity to incur authorized and proposed future general obligation debt without exceeding the applicable debt limit (NRS 350.013 (b)(2)).*

Introduction and Purpose - Analysis of the District's debt position is important, as growth in the service area has resulted in an increased need for capital financing. The District's debt capacity analysis is premised on the idea that resources, as well as need, should drive the District's debt issuance program. Proposed long-term financings are linked with the economic, demographic and financial resources expected to be available to pay for that debt. The primary emphasis of the analysis is the impact of the District's projected capital financing requirements on the credit quality of its debt obligations. The District strives to ensure that, as it issues further debt, its credit quality and market access will not be impaired.

Debt Limit - State statutes limit the aggregate principal amount of the District's general obligation debt to fifty percent (50%) of the District's total reported assessed valuation (including the assessed valuation of all applicable redevelopment agencies. The County's total assessed valuation excluding all applicable redevelopment agencies for fiscal year 2023-24 is \$132,090,463,013. The total assessed valuation of the five cities and the CSGID is \$63,711,533,309. The assessed valuation of the District is therefore calculated to be \$68,378,929,704. The District is limited to general obligation indebtedness in the aggregate amount of \$34,189,464,852. As of June 30, 2024, the District has \$688,803,257 of general obligation debt outstanding.

Neither the County Assessor nor the State maintain assessed valuations attributable to the District. Accordingly, the District has calculated its assessed valuation for each year by deducting the assessed valuation of the five incorporated cities, and the estimated assessed value of the Coyote Springs General Improvement District (the "CSGID") from the County's total assessed valuation, including the Clark County Redevelopment Districts. Pursuant to its Service Plan, the CSGID does not have the power to levy general ad valorem taxes to finance its activities and as a result, the County Assessor does not maintain an assessed valuation for it. The District requests the County Assessor to provide estimated assessed valuations for the CSGID each year; the amount of the assessed valuation reported for any year is dependent on the date on which the County Assessor reviews the data for individual parcels. Those values may be adjusted over time due to abatement, valuation protests or other assessor action. The values provided by the County Assessor do not include any centrally assessed values attributable to the parcels in the CSGID, which would be developed by the State.

The following table illustrates the District's general obligation statutory debt limitation.

STATUTORY DEBT CAPACITY
Clark County Water Reclamation District, Nevada
June 30, 2024

Statutory Debt Limitation	\$34,189,464,852
Outstanding General Obligation Indebtedness	688,803,258
Additional Statutory Debt Limitation	\$33,500,661,594

SOURCE: Ad Valorem Tax Rates for Nevada Local Governments for Fiscal Year 2023-24, Department of Taxation; Clark County Water Reclamation District, Clark County Assessor

The following table presents a record of the District's outstanding general obligation indebtedness with respect to its statutory debt limit.

SATUTORY DEBT LIMITATION
Clark County Water Reclamation District, Nevada

Fiscal Year Ended June 30	Assessed Valuation ⁽¹⁾⁽²⁾	Debt Limit 50% of AV	Outstanding General Obligation Debt	Additional Statutory Debt Capacity
2020	\$48,394,115,555	\$24,197,057,778	\$419,334,986	\$23,777,722,792
2021	52,782,271,892	26,391,135,946	402,858,227	25,988,277,719
2022	53,777,213,210	26,888,606,605	385,634,444	26,502,972,161
2023	60,388,892,478	30,194,446,239	707,630,524	29,486,815,715
2024	68,378,929,704	34,189,464,852	688,803,258	33,500,661,594

- (1) Neither the County Assessor nor the State maintains an assessed valuation attributable to the District. Accordingly, the assessed valuation of the District has been calculated as described in the paragraph preceding this table.
- (2) For purposes of calculating the assessed value of the District, the County Assessor has provided estimated net assessed values for the CSGID for fiscal years 2019-20 through 2023-24. The values do not include any centrally assessed valuation within the CSGID which would be developed by the State.

SOURCE: Ad Valorem Tax Rates for Nevada Local Governments, Department of Taxation; Clark County Water Reclamation District, Clark County Assessor.

Debt Comparison (per capita and assessed valuation)

Response to NRS 350.013 (1) (c):

- (3) *A discussion of its general obligation debt that is payable from property taxes per capita as compared with such debt of other municipalities in the state.*

- (4) *A discussion of its general obligation debt that is payable from property taxes as a percentage of assessed valuation of all taxable property within the boundaries of the municipality.*

The District does not currently have any outstanding bonds payable directly from ad valorem taxes.

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DEBT ISSUANCE POLICY

Response to NRS 350.013 (1) (c):

(5) Policy regarding the manner in which the municipality expects to sell its debt.

Administration of Policy

The General Manager is the Clark County Water Reclamation District's (the "District") chief executive officer and serves at the pleasure of the Board of County Commissioners acting as the Board of Trustees of the District (the "BOT" or "Board"). The General Manager is ultimately responsible for administration of District financial policies. The BOT is responsible for the approval of any form of District borrowing and the details associated therewith. Unless otherwise designated, the Deputy General Manager, Financial Services coordinates the administration and issuance of debt.

The Deputy General Manager, Financial Services is also responsible for the attestation of disclosure and other bond related documents. References to the "General Manager or his designee" in the document are hereinafter assumed to be assigned to the Deputy General Manager, Financial Services as the "designee" for administration of this policy.

Initial Review and Communication of Intent

All capital funding requests are communicated to the General Manager or his designee during the annual budget process. Requests for projects, which may require a new bond issue, must be identified as a part of a Capital Improvements Program (the "CIP") request. Project justification and costs must be presented as well as the proposed timing of the project(s).

The District's Executive Management Team will evaluate each proposal comparing it with other competing interests or needs within the District. All requests will be considered in accordance with the District's overall adopted priorities. If it is determined that proposals are a District-wide priority, and require funding, the Deputy General Manager, Financial Services will coordinate the issuance of debt including size of issuance, debt structuring, repayment sources and determination of mix (e.g., debt financing versus pay-as-you-go) and method of sale. Additionally, opportunities for refunding shall originate with, or be communicated to, the General Manager or his designee.

Debt Management Commission

In Nevada, governments must present their general obligation debt proposals, (with exception of medium-term financings issued under NRS 350), to the County Debt Management Commission (the "Commission"). The 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 at or 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 within Clark County begin levying a property tax that is closer to \$3.64. The Commission does not generally make judgments about a proposal's impact on the debt ratios of all the affected governments.

The District has not levied an ad valorem tax for the payment of Bonds or other obligations because the District revenues have been sufficient to pay debt service on all of the District's Bonds and obligations secured by such revenues.

Types of Debt

General Obligation Bonds - Under NRS 350.580, the District may issue as general obligations any of the following types of securities:

1. Notes
2. Warrants
3. Interim debentures
4. Bonds and
5. Temporary bonds

A general obligation bond is a debt that is legally payable from general revenues, as a primary or secondary funding source of repayment, and is backed by the full faith and credit of the District, subject to certain constitutional and statutory limitations. The Nevada Constitution and State statutes limit the total taxes levied by all governmental units to an amount not to exceed \$5.00, and \$3.64 per \$100 of assessed valuation, respectively, with a priority for taxes levied for the payment of general obligation indebtedness.

Any outstanding general obligation bonds, or temporary general obligation bonds to be exchanged for such definitive bonds and general interim debentures, constitute outstanding indebtedness of the District and exhaust the debt-incurring power of the District. Nevada statutes require the most general obligation bonds mature within 30 years from their respective issuance dates.

Bonding should be used to finance or refinance capital improvements, long-term assets, or other costs directly associated with financing a project, which has been determined to be beneficial to a significant proportion of the rate payers in the District, and for which repayment sources have been identified. Bonding should be used only after considering alternative funding sources such as project revenues, federal and state grants, and special assessments.

Voter-approved general obligation bonds issued under this heading are used when a specific property tax is the desired repayment source.

General Obligation/Revenue Bonds - Such bonds are payable from taxes, and are additionally secured by a pledge of revenues. If pledged revenues from the projects financed are not sufficient, the District is obligated to pay the difference between such revenues and the debt service requirements of the respective bonds from ad valorem taxes.

Interim Debentures - Under NRS 350.672, the District is authorized to issue general obligation/special obligation interim debentures in anticipation of the proceeds of taxes, the proceeds of general obligation or revenue bonds, the proceeds of pledged revenues or any other special obligations of the District and its pledged revenues. These securities are often used in anticipation of assessment district bonds.

Revenue Bonds - Under NRS 350.582, the District may issue as special obligations any of the following types of revenue securities:

1. Notes
2. Warrants

3. Interim debentures
4. Bonds and
5. Temporary bonds

Securities issued as special obligations do not constitute outstanding indebtedness of the District nor do they exhaust its legal debt-incurring power. Bonding should be limited to projects with available revenue sources whether self-generated or dedicated from other sources. Adequate financing feasibility studies should be performed for each revenue issue. Sufficiency of revenues should continue throughout the life of the bonds.

Medium-Term General Obligations - Under NRS 350.087 - 350.095, the District may issue negotiable notes or bonds. Those issues, approved by the Executive Director of the Nevada Department of Taxation, are payable from all legally available funds (General Fund, etc.). The statutes do not authorize a special property tax override. The negotiable notes or bonds:

1. Must mature no later than 10 years after the date of issuance.
2. Must bear interest at a rate that does not exceed by more than 3 percent the Index of Twenty Bonds that was most recently published before the bids are received or a negotiated offer is accepted.
3. May, at the option of the District, contain a provision that allows redemption of the notes or bonds before maturity, upon such terms as the Board determines.
4. Term of bonds may not exceed the estimated useful life of the asset to be purchased with the proceeds from the financing, if the maximum term of the financing is more than five years.
5. Must have a medium-term authorization resolution approved, which becomes effective after approval by the Executive Director of the Nevada Department of Taxation.

Certificates of Participation/Other Leases - Certificates of participation are essentially leases that are sold to the public. The lease payments are subject to annual appropriation. Investors purchase certificates representing their participation in the lease. Often, the equipment or facility being acquired serves as collateral. These securities are most useful when other means to finance are not available under State law.

Refunding - A refunding of outstanding bonds generally involves issuing a new bond issue whose proceeds are used to redeem an outstanding issue. Key definitions follow:

1. Current Refunding - The refunding bonds are issued within 90 days of the initial call date of the outstanding bonds to be refunded.
2. Advance Refunding - The refunding bonds are issued more than 90 days before the initial call date of the outstanding bonds to be refunded. An advance refunding is accomplished by issuing a new bond, and/or using available funds, to invest in an escrow account composed of a portfolio of U.S. government securities that are structured to provide enough cash flow to pay debt service on the refunded bonds. The escrow legally defeases the outstanding bonds. Under the December 31, 2017 Tax Cuts and Jobs Act, interest on advanced refunding's is now taxable, while interest on current refunding's remains tax-exempt.

3. Gross Savings - Difference between the debt service on refunding bonds and refunded bonds less any contribution from other available funds, including a reserve or debt service fund.
4. Present Value Savings - Present value of gross savings discounted at the refunding bond arbitrage yield to the closing date, plus accrued interest less any contribution from available funds including a reserve or debt service fund.

Prior to beginning a refunding bond issue, the District will review an estimate of the savings achievable from the refunding. The District may also review a pro forma schedule to estimate the savings assuming that the refunding is done at various points in the future.

The District will generally consider refunding outstanding bonds if one or more of the following conditions exist:

1. Present value savings are at least three percent of the par amount of the refunding bonds.
2. The bonds to be refunded have restrictive or outdated covenants.
3. Restructuring the debt is deemed to be desirable.

The District may pursue a refunding that does not meet the above criteria if:

1. Present value savings exceed the costs of issuing the bonds.
2. Current savings are acceptable when compared to savings that could be achieved by waiting for more favorable interest rates and/or call premiums.

Debt Structuring

Maturity Structures - The term of District debt issues may not extend beyond the useful life of the project or equipment financed. The repayment of principal on tax supported debt should generally not extend beyond 30 years unless there are compelling factors which may make it necessary to extend the term beyond this point. Under NRS 350.630, general obligations must mature within 30 years except general obligations issued for a water or wastewater facility must mature within 40 years and special obligations must mature within 50 years.

Debt issued by the District should be structured to provide for either level principal or level debt service. Deferring the repayment of principal (e.g., interest only structures) should be avoided except in select instances where it will take a period of time before project revenues are sufficient to pay debt service or if such a structure will help levelize all-in debt service. Ascending debt service should generally be avoided.

Bond Insurance - Bond insurance is an insurance policy purchased by an issuer or an underwriter for either an entire issue or specific maturities that guarantees the payment of principal and interest.

Bond insurance can be purchased directly by the District prior to the bond sale (direct purchase) or at the underwriter's option and expense (bidder's option).

The decision to purchase insurance directly versus bidder's option is based on: volatile markets, current investor demand for insured bonds, level of insurance premiums, or ability of the District to purchase bond insurance from bond proceeds.

When insurance is purchased directly by the District, the present value of the estimated debt service savings from insurance should be greater than the insurance premium. The bond insurance company will usually be

chosen based on an estimate of the greatest net present value insurance benefit (present value of debt service savings less insurance premium).

Reserve Fund and Coverage Policy - A debt service reserve fund is created from the proceeds of a bond issue and/or the other available funds (e.g., a debt service fund or debt service reserve fund) to provide bond holders comfort that there are available funds pledged to the payment of debt service should monies not be available from current revenues.

Debt Service Coverage - The ratio of pledged revenues (typically net revenues after payment of operating and maintenance expenses) to related debt service for a given year. For each bond issue, the Deputy General Manager, Financial Services shall determine the appropriate reserve fund and coverage requirements, in accordance with the District's reserve policy. The Deputy General Manager, Financial Services has determined that it is fiscally prudent for the District to maintain a reserve of approximately one year's principal and interest for its General Obligation Bonds (additionally secured with pledged revenues) and any other obligations.

Interest Rate Limitation - Under NRS 350.2011, the maximum rate of interest must not exceed:

1. for general obligations, the Index of Twenty Bonds, plus 3%; and
2. for special obligations, the Index of Revenue Bonds (which was most recently published before the bids are received or a negotiated offer is accepted) plus 3%.

Method of Sale

Bonds may be sold on a competitive or negotiated basis. Both methods allow for one or more series of bonds to be sold, depending on market conditions and the District's need for funds. Either method can provide for changing issue size, maturity amounts, term bond features, etc. The timing of competitive and negotiated sales is generally related to the requirements of the Nevada Open Meeting Law.

Competitive Sale - With a competitive sale, underwriters are invited to submit a proposal to purchase an issue of bonds. The bonds are awarded to the underwriter(s) presenting the best bid according to stipulated criteria set forth in the notice of sale (typically, the bid with the lowest True Interest Cost). Competitive sales are preferred unless market or other circumstances lead the District to conduct a negotiated sale.

Negotiated Sale - A negotiated sale is an exclusive arrangement between the issuer and an underwriter or underwriting syndicate. The underwriter and underwriting syndicate will market the bonds for sale to investors as well as underwrite bonds that have not been sold on a given day or day. The District and underwriters will agree on the appropriate coupons, interest rates and price for the bonds to be sold.

Negotiated underwriting may be considered upon recommendation of the Deputy General Manager, Financial Services based on one or more of the criteria set forth in NRS 350.155 (2) and one or more of the following criteria:

- a. Large issue size;
- b. Complex financing structure (i.e., variable rate financings, new derivatives and certain revenue issues, etc.) which provides a desirable benefit to the District;
- c. Volatile capital markets;
- d. Comparatively lesser credit rating or lack of bids; and
- e. Other factors that lead the Deputy General Manager, Financial Services to conclude that a competitive sale would not be effective including market conditions.

Secondary Market Disclosure

In November 1994, the Securities and Exchange Commission (SEC) amended Rule 15c2-12 (the “Rule”) to prohibit any broker, dealer, or municipal securities dealer from acting as an underwriter in a primary offering of municipal securities unless the issuer promises in writing to provide certain ongoing information (unless the offeror satisfies certain exemptions).

Pursuant to the SEC’s Municipal Advisor Rule, it is the District’s policy to retain and rely on the advice of an Independent Registered Municipal Advisor.

The District will comply with the Rule by providing the secondary market disclosure required in a case in which the Rule applies to the District as an obligated person as defined in the Rule.

Underwriter Selection for Negotiated Sale

1. Underwriter selection for bonds issued pursuant to NRS 271, which are not secured by a pledge of the taxing power and general fund of the District, may be approved via the District’s guidelines for such bonds.
2. The Deputy General Manager, Financial Services, either directly or through its Financial Advisors, will solicit proposals from underwriters to establish a pool or list of underwriting firms for negotiated sales. The Deputy General Manager, Financial Services, or the District’s Municipal Advisors on behalf of the District, will distribute a Request for Proposal (RFP) to underwriting firms. The RFP will include, at a minimum, information regarding the firm’s qualifications, staffing and personnel assigned to the District, fees (including takedown and management fee - if any), debt structuring, marketing, expected yield, and credit strategies. Before selecting a firm or firms, the Deputy General Manager, Financial Services may, but is not required to, conduct interviews of firms who submit responses to the RFP. (NRS 350.175 requires that if the bond issue is not described in the request for proposals or the sale occurs more than 6 years after the selection of the underwriter or pool, the District shall submit a request for proposals from underwriters before an underwriter is selected for the negotiated sale.)
3. The selection of underwriter(s) will be based on the overall quality of the response, qualifications of the firm, demonstrated success in pricing bonds, understanding of the District’s objectives, qualifications of the banking and underwriting team to be assigned to the District, fees, applicability of the marketing and credit strategy, and relevance and quality of structuring proposals. The selection of underwriter(s) shall include, but not be limited to, the requirements of NRS 350.185.
4. The pool or list will be based, in part, on the firms who have submitted bids, in their own name or as a part of a syndicate, for the District competitive issues over the prior five years. In addition, the pool or list may contain firms that have participated in other financings in Nevada (in competitive bids or negotiated sales), demonstrated ability and interest in District financings, or have submitted financing ideas and concepts for the District’s consideration over the past five years.
5. The Deputy General Manager, Financial Services will recommend a pool of underwriters(s) to the Board for ratification.
6. The Deputy General Manager, Financial Services will designate the senior manager(s) and book running senior manager if there are co-senior managers, as well as the co-managers from the firms

in the pool or list. The Deputy General Manager, Financial Services will determine the length of time that the selected firms will serve as the syndicate for the District. Such a selection can be for a single transaction or multiple transactions, but the syndicate will be reviewed at intervals not greater than every five years.

7. It is the District's intent, once a team is established, is to provide equal opportunity for the position of book-running senior manager.
8. The underwriting team should be balanced with firms having institutional, retail and regional sales strengths. Qualified minority and/or woman-owned firms will be included in the underwriting team and given an equal opportunity to be senior manager.

Syndicate Policies

1. The Deputy General Manager, Financial Services will establish designations and liabilities. At a minimum, in a syndicate with three or more firms serving as co-managers, the designation rules will include a minimum of three firms to be designated, with a minimum of 5% to any firm. The Deputy General Manager, Financial Services will also determine the maximum amount to be designated to a single firm (typically 60%, but this can be higher, or lower, depending upon the size of the syndicate and the par amount of the transaction.) In addition, the Deputy General Manager, Financial Services will determine the appropriate allocation of liabilities and equivalent share of compensation for group net orders.
2. Prior to the sale of bonds, the senior book running manager will submit a Syndicate Policy Memo to the Deputy General Manager, Financial Services. At a minimum, the Syndicate Policy Memo will include:
 - Average takedown and takedown by maturity
 - Details of Underwriter expenses, including the cost of Underwriter's Counsel
 - Designation rules and compensation split among the underwriting team in the case of group net sale
 - Liabilities
 - Order priority (unless otherwise agreed by the Deputy General Manager, Financial Services, the order priority will be Nevada Retail, National Retail, Group Net or Net Designated, Member)
 - Definition of a retail order (unless otherwise determined by the Deputy General Manager, Financial Services, the definition of retail order will include orders placed by individuals, bank trust department, financial advisors and money managers acting on behalf of individuals with a maximum of \$1 million per account.)
 - Assignment of SDC Credit.
3. The Syndicate Policy Memo may include other relevant information (e.g., management fee or other fees, description of the sale timeline, etc.)

Underwriting Spread

Before work commences on a bond issue to be sold through a negotiated sale, the underwriter shall provide the Deputy General Manager, Financial Services with a detailed estimate of all components of his/her compensation. Such estimates should be contained in the Request for Proposals, or provided immediately after an underwriter is designated.

The book-running senior manager must provide an updated estimate of the expense component of gross spread to the Deputy General Manager, Financial Services no later than one week prior to the day of pricing.

Selling Group

The Deputy General Manager, Financial Services may establish a selling group to assist in the marketing of the bonds as warranted (based on market conditions and size of the transaction.)

Priority of Orders

The priority of orders to be established for negotiated sales follows:

1. Nevada Investors
2. Group Orders
3. Designated Orders
4. Member Orders

For underwriting syndicates with three or more underwriters, a three-firm rule for net designated orders will be established as follows:

1. The designation of takedown on net designated orders is to benefit as least three firms of the underwriting team.
2. No more than 50 percent of the takedown may be designated to any one firm. No less than 10 percent of the takedown will be designated to any one firm.

Retentions

If the use of retentions is desirable, the Deputy General Manager, Financial Services will approve the percentage (up to 30 percent) of term bonds to be set aside. The amount of total retention will be allocated to members of the underwriting team in accordance with their respective underwriting liability.

Allocation of Bonds

The book-running Senior Manager is responsible for allotment of bonds at the end of the order period. The Deputy General Manager, Financial Services and the District's Municipal Advisors will review allotments to ensure the senior manager distributes bonds in a balanced and rational manner.

Miscellaneous

MBE/WBE Statement - It is a continuing goal of the District to actively pursue minority-owned business enterprises (MBE) and women-owned business enterprises (WBE) to take part in the District's procurement and contracting activity. MBE and WBE enterprises will be solicited in the same manner as non-minority firms. The District encourages participation by minority and women-owned business enterprises, and will afford full opportunity for bid submission. MBE and WBE will not be discriminated against on the grounds of race, color, creed, sex, or national origin in consideration for an award.

Bond Closings - All bond closings shall be held in Clark County unless circumstances dictate otherwise.

Gift Policy - Employees will not directly or indirectly solicit, accept, or receive any gift whether in the form of money, services, loan, travel, entertainment, hospitality, promise, or any other form. Unsolicited gifts

must be returned, shared with other employees, or given to charity. Gifts, which may influence a reasonable employee in the performance of his/her duties, will be refused.

An unsolicited payment of meals with a value less than \$50 may be accepted provided the acceptance of the meal is not intended to influence the employee's performance, to reward official action, or create a potential for a perception of impropriety. Employees must disclose this information to the General Manager or his designee.

Tickets provided to employees for events that may provide an opportunity to build relationships within the community must be disclosed to the General Manager or his designee. Tickets that have the potential to influence a reasonable employee in the performance of his/her duties, or appear to be intended as a reward for any official action on the employee's part, or create a potential for a perception of impropriety as determined by the General Manager or his designee, will be refused.

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CHIEF FINANCIAL OFFICER

Response to NRS 350.013 (1) (e)

A statement containing the name, title, mailing address and telephone number of the chief financial officer of the municipality.

The District's financial reporting responsibilities are performed by the CFO / Deputy General Manager, Financial Services.

NAME: Charles Ocansey
TITLE: CFO / Deputy General Manager, Financial Services
ADDRESS: Clark County Water Reclamation District
5857 E. Flamingo Road
Las Vegas, NV 89122
EMAIL: cocansey@cleanwaterteam.com
TELEPHONE: (702) 668-8119

APPENDIX A

PROCEDURES FOR DEBT ISSUANCE / TIMETABLES

(See attached sample schedules)

1. General Obligation Revenue Bonds
2. Medium-Term Bonds
3. Revenue Bonds

General Obligation Revenue Bonds

Sample Schedule

Number of Weeks <u>From Start</u>	<u>Event</u>
1	Board adopts Debt Management Commission (“DMC”) Notice Resolution
3	DMC meets and adopts Approval Resolution
5	Board adopts Resolution of Intent and Resolution calling hearing of Resolution and Sale Resolution
6	Publish Notice (Begin 90-day Petition Period) and Notice of Public Hearing
9	Hold Public Hearing
19	End of 90-day Petition Period
20	Due Diligence meeting to review bond documents
21	Board adopts Bond Resolution
23	Bond Sale
26	Bond Closing

Medium-Term Bonds

Sample Schedule

Number of Weeks <u>From Start</u>	<u>Event</u>
0	Board adopts Resolution calling hearing
2	Publish Notice of Public Hearing
3	Hold Public Hearing; Board adopts Resolution authorizing Medium-Term financing (10 days after Notice of Hearing published)
3	Board adopts Sale Resolution
5	Send information packet to Department of Taxation
8	Due Diligence meeting to review bond documents
10	Board adopts Bond Resolution
15	Bond Sale
18	Bond Closing

Revenue Bonds

Sample Schedule

Number of Weeks <u>From Start</u>	<u>Event</u>
0	Board adopts Sale Resolution
3	Due Diligence meeting to review bond documents
5	Board adopts Bond Resolution
10	Bond Sale
13	Bond Closing