

Minutes of the Subcommittee Meeting
COMMITTEE ON LOCAL GOVERNMENT FINANCE
TYPES OF FINANCING GUIDANCE TO THE DEPARTMENT
September 26, 2016
9:00 a.m.

The meeting was held at the at the Nevada State Legislative Building, 401 S. Carson Street, Room 2135, Carson City, Nevada, and video-conferenced to the Grant Sawyer State Office Building, 555 E. Washington Avenue, Room 4401, Las Vegas, Nevada. This meeting was also part of a teleconference.

COMMITTEE MEMBERS PRESENT:

Marty Johnson, Chairman
Marvin Leavitt
Jeff Zander
Jessica Colvin

COUNSEL TO COMMITTEE

Peter Keegan

MEMBERS OF THE PUBLIC PRESENT:

Name	Representing
Carolyn Chieffo	Douglas County
Brian Lovelin	University Medical Center
Darren Adair	City of North Las Vegas
Amanda Schweisthal	Retail Association of Nevada

DEPT OF TAXATION STAFF PRESENT:

Terry Rubald
Kelly Langley
Keri Gransberry
Heidi Rose
Chali Spurlock
Christina Griffith

ITEM 1. ROLL CALL AND OPENING REMARKS

Chairman Johnson called the meeting to order at 9:01 a.m. Roll call was taken, all members were present.

ITEM 2. PUBLIC COMMENT

There was no public comment.

ITEM 3. For Possible Action: Discussion and Consideration of Proposed Guidance Letter on the Review of Current and Pending GASB standards on Lease Accounting; Requirements for Reporting Installment-purchase Agreements; and Types of Installment-purchase Agreements and Medium Term Obligations Subject to Approval by the Department of Taxation; Recommendation of Guidance Letter to the full Committee on Local Government Finance

Terry Rubald, with the Department of Taxation opened with version four of the Proposed Guidance Letter. She noted that all the changes were highlighted in yellow and that they consist of making sure that the Guidance Letter goes to a broader audience, to all local government finance officers and to the auditing firms. The subject title was also revised to read "Review of Current and Pending GASB standards on Lease Accounting; Requirements for Reporting Installment-purchase Agreements; and Types of Installment-purchase Agreements

and Medium Term Obligations Subject to Approval by the Department of Taxation.” She went on to mention something that was not talked about at the previous meetings. She referred to Page 2, under the Statutory and Regulatory Framework. She felt it might be helpful to add a reference to NAC 350.013, which talks about the indebtedness report. Also a reference to NAC 350.010 which says in addition to the various schedules concerning general obligation debt, the report must also include the amount of any other debts, such as mortgages or capital leases, and a reference to NRS 350.014. Ms. Rubald also added the subtitles for statutory and regulatory framework.

Chairman Johnson asked if NRS 350.013 was the reference to the debt management policy that each local government is supposed to do. He thinks that 350.010 refers to the indebtedness report. He noted the listing of obligations in 350.013 says “general obligation debt, other general obligations or special obligations”. It is his understanding that special obligations were revenue bonds. He’s not sure that installment purchase agreements are picked up in these references.

Ms. Rubald stated she was looking at the reference that states “the statements may be updated more often than once a year to include items related to installment purchases” which is why she wanted to include that, because of the reference to installment purchases.

Ms. Rubald noted the next change was under page 7, under the Application section she modified the second paragraph so that there would be a reference to the three items mentioned. There is a new subparagraph 3 that was added in due to member Colvin’s email request. She read “A lease reported as a capital lease in an agency’s CAFR under GASB which does not otherwise meet the definition of a capital lease or installment purchase agreement under Nevada Revised Statutes must still be reported to the Department of Taxation under “Other” for purposes of the Indebtedness Report. For example, if the lease term is greater than 75% of the estimated economic life of the equipment; or the present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90% of the leased property’s fair market value, but title does not transfer and there is no bargain purchase option, the lease meets GASB standards as a capital lease. If the resolution authorizing such a lease meets the conditions of NRS 350.087, the lease must also be approved by the Department pursuant to NRS 350.089.” Ms. Rubald asked if member Colvin would like to comment whether it captured what she intended. Member Colvin stated it did.

Ms. Rubald went on to explain there was a minor change in subparagraph 6, and she rewrote subparagraph 8 due to the comments during the subcommittee meeting requesting a “catch all”. Under paragraph 8, it is asked that a Local Government Finance person evaluates the lease agreement to determine whether the lease or rental payments are credited towards the purchase price. If the title to the subject property and the buildings thereon vest in the local government at the expiration of the lease, either automatically or upon written notice or request by the local government with no further payment, the lease should be considered a capital lease requiring approval by the Department.

She went on to subparagraph 9, where she added “If the local government is contemplating a transaction that is difficult to classify, the local government should consult with both its auditors and Department staff as to how the financial statements of the local government should reflect the transaction.” She notes that it goes back into the discussion of the lease-leaseback. At the bottom she added “Because the local government may simply request title be transferred at the expiration of the Facilities Lease, the transaction may constitute an option to purchase in which lease payments are considered credited.” Ms. Rubald read the final paragraph “The local government should consult with its auditors and the Department as to the proper classification of this type of transaction or other unusual transactions prior to completion of the obligation in order to avoid any potential reporting violations.” She hopes this is sufficient for a “catch all”.

Member Leavitt stated he thinks that catches what he was trying to indicate that he needed/wanted when he suggested it.

Ms. Rubald finished by noting there were some added selected references on page 9.

Chairman Johnson asked on paragraph 8, where it states “should be considered a capital lease requiring approval by the Department”, he would also add “and the Debt Management Commission, if applicable”, if it is longer than 10 years it would still need to go to the DMC.

Ms. Rubald agreed.

Chairman Johnson asked the subcommittee members if there were any additional comments or questions. Member Colvin noted it was a well put together document. There were no further comments.

Member Zander motioned to take this to the full committee. Member Leavitt seconded it with the adjustment Chairman Johnson had indicated. The vote was unanimous, and the motion carried.

ITEM 4. REVIEW AND APPROVAL OF MINUTES

(a) For Possible Action: CLGF Subcommittee Meeting – August 1, 2016

Ms. Rubald requested the minutes for August 1, 2016 and September 12, 2016 be approved or amended.

Chairman Johnson requested changes to August 1, 2016 minutes. At the top of page 4, in the first full paragraph, in the second line it states “He said years ago *they*”. He would like “they” to be replaced with CLGF as that is who talked about it. In the next line where it says “GAAP”, he was actually talking about the “tax cap”. On page 6, he noted that John Swenseid name was spelled incorrectly in the middle of the page.

Member Leavitt motioned to approve the August 1, 2016 minutes with the corrections noted by the Chairman. Member Zander seconded the motion. The vote was unanimous, and the motion carried.

(b) For Possible Action: CLGF Subcommittee Meeting – September 12, 2016

Chairman Johnson noted one correction on the September 12, 2016 minutes, on the 7th page of the minutes, 3rd paragraph from the bottom. At the end of the second to last line where it says “to the accounting debt management”, should be “the county debt”.

Member Leavitt motioned to approve the September 12, 2016 minutes with the corrections noted by the Chairman. Member Zander seconded the motion. The vote was unanimous, and the motion carried.

ITEM 5. PUBLIC COMMENT

There was no public comment.

ITEM 7. For Possible Action: ADJOURNMENT

The meeting was adjourned at 9:17 a.m.