



NEVADA DEPARTMENT OF TAXATION
Division of Local Government Services

MEDIUM TERM OBLIGATIONS

GUIDELINES AND REFERENCES

Medium Term Obligations

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MEDIUM-TERM OBLIGATIONS

This package is to be utilized as a guide in the process of obtaining approval of the Department of Taxation for medium-term obligations.

Please contact the Local Government Finance section for information and guidance.

MEDIUM-TERM OBLIGATIONS

DEFINITIONS

1. **GENERAL OBLIGATION** is any debt legally payable from general revenues as a primary or secondary source of repayment and is backed by the full faith and credit of a government entity (NRS 350.011). Any obligation, which is backed by the full faith and credit of an entity, and if the entity is authorized to levy property taxes, backed by a property tax to repay the debt if other general or specific revenues are not adequate to meet the debt service. General obligations are counted against the governmental entity's statutory debt limit. Examples of general obligation debt would include, but are not limited to: long term obligations represented by notes, warrants, debentures, bonds; medium term obligations represented by notes, warrants, debentures or bonds. Examples of debt which are not counted against debt limit and are not considered general obligations are: any short term debt which is budgeted to be discharged in full in the fiscal year the transaction occurs; any obligation by its terms which is extinguished by failure of the governing body to appropriate money for the ensuing fiscal year for payment of amounts then due (a non-funding clause) (NRS 350.800); special obligations such as revenue bonds, which do not include the backing of the full faith & credit of the entity, and special assessment bonds.
2. **LONG TERM OBLIGATION** includes debt having a term that exceeds 10 years but also may include debt with a shorter term. Long term debt that is a general obligation requires approval through a vote of the people with certain exceptions outlined in NRS 350.020, or as provided for by specific legislation. The entity's governing body must approve long-term special obligations.
3. **G. O. REVENUE** is "general obligation" debt secured by a pledge of specific revenues and is backed by the full faith and credit of the government entity. GO revenue debt is counted against the entity's statutory debt limit. GO revenue debt typically does not require a vote of the people (NRS 350.020).
4. **MEDIUM TERM OBLIGATION** is debt that is a general obligation of the government entity and must be counted against the debt limit. A medium term obligation may not have a maximum term longer than five years, unless the estimated useful life of the asset to be purchased is greater than five years. If the estimated useful life of the asset is greater than five years, the maximum term may be that useful life, however never longer than ten years. Medium term obligations may be represented by notes, warrants, debentures or bonds. Medium term obligations do not require a vote of the people (NRS 350.020), but do require approval by the executive director of the Department of Taxation (NRS 350.089).
5. **INSTALLMENT PURCHASE AGREEMENT** is an agreement for the purchase of real or personal property by installment or lease or another transaction. An installment purchase agreement is not an agreement to pay rent pursuant to a lease that contains no option or right to purchase. An installment purchase agreement is debt that must be counted against the debt limit unless the obligation by its terms is extinguished by a failure of the governing body to appropriate money for the ensuing fiscal year for payment of the amounts then due (a "non-funding clause") (NRS 350.800).

If a non-funding clause exists, the installment purchase agreement must receive approvals similar to that required for medium term financing if the amount of the obligation exceeds \$100,000 in a county whose population exceeds 100,000 or more or the obligation exceeds \$50,000 in a county whose population is less than 100,000. A lease or installment purchase agreement may not have a maximum term longer than five years, unless the estimated useful life of the asset to be financed is greater than five years. If the estimated useful life of the asset is greater than five years, the maximum term may be that useful life, however never longer than thirty years. Installment purchase agreements, with a term (including renewal options) that exceed 10 years, need approval of the debt management commission.

6. **SPECIAL OBLIGATION** is debt legally payable from specific pledged revenue sources (not including property tax) and is not backed by the full faith and credit of the government entity (NRS 350.582). Special obligations are not counted against an entity's statutory debt limit. Examples of special obligation debt would include revenue bonds or special assessment bonds that have long, medium or short terms. Special obligations do not require a vote of the people (NRS 350.020).
7. **REVENUE OBLIGATION** is debt that pledges specific revenues for the repayment of the obligation. These revenues are the sole source of repayment and the obligation does not include the full faith and credit of the government entity. A revenue obligation is a special obligation and does not count against the entity's statutory debt limit.
8. **SPECIAL ASSESSMENT OBLIGATION** is debt that pledges specific revenues of the special assessment as the primary source of repayment of the obligation and does not include the full faith and credit of the government entity. A special assessment obligation is a special obligation and does not count against the entity's statutory debt limit.
9. **SHORT TERM OBLIGATION** is debt budgeted to be discharged in full in the fiscal year in which the debt is incurred. Any debt that extends into the next fiscal year following the fiscal year in which the transaction occurs becomes a medium term obligation. Short-term obligations are not considered general obligation debt and are not counted against the statutory debt limit of the entity. Short-term obligations do not require a vote of the people or the approval of the Department of Taxation.
10. **LENDING PROJECTS** are financing tools that allow a county to act as a bond bank. It allows the county to arrange for general obligation indebtedness in its name for other local government entities in the county. This may allow the entity to receive a better rate and reduce borrowing costs by combining several smaller projects.
11. **CAPITAL OUTLAYS** are expenditures for assets that will be used for more than one fiscal year and meet the minimum level of expenditure as outlined by the local government entity for classification in a capitalized asset category. Capital outlay is a line-item category in budgets for all local government entities except school districts. School district's capital outlay is defined by account category 4000.
12. **CAPITAL PROJECT** is the construction or acquisition of designated fixed assets. These projects are large-scale endeavors in cost, size and benefit to the community and meet the minimum level of expenditure as outlined by the government entity for classification as a capital project. A capital project results in a long-term addition to the entity's assets, typically 15 years or more.
13. **CAPITAL IMPROVEMENT PLAN** is defined by the Government Finance Officers Association as a "Capital Program". A plan for capital expenditures to be incurred each year over a fixed period of years to meet capital needs. It sets forth each capital project or other contemplated expenditure in which the government is to have a part and specifies the resources estimated to be available to finance the projected expenditures.

PROCEDURES FOR PROCURING MEDIUM-TERM OBLIGATIONS

NRS 350.087 - 095; NAC 350.100-160

In order for any local government entity to procure a medium-term obligation or installment purchase agreement, a series of events must take place and certain procedures followed. Medium-term obligation and installment purchase procedures for the use and guidance by local government entities are listed below. The applicable sections of Nevada Revised Statutes (NRS) and the Nevada Administrative Code (NAC) are noted to the left of each paragraph or line where applicable. The procedures are outlined in three sections.

- I. Preliminary actions by the local government entity.
- II. Actions by the Department of Taxation.
- III. Final actions by the local government entity.

I. PRELIMINARY ACTIONS BY THE LOCAL GOVERNMENT ENTITY

- NRS 350.087 A. A governing board determines that the public interest requires a medium-term obligation or an installment purchase agreement. For this purpose, installment purchase agreement includes all leasing arrangements if the total amount of the lease exceeds the threshold limits noted in the definition above unless the lease is a rental agreement with no option to purchase that includes a credit for lease payments made. Recognition should be made that any negotiable notes or bonds must be repaid within ten years; installment purchase agreement and lease purchase agreements must be repaid within 30 years. If the term of the medium term obligation or installment purchase agreement exceeds 5 years, its weighted average term cannot exceed the estimated weighted average useful life of the assets being financed.
- NRS 350.087 B. The first action is to publish a Notice of Intention to Act on a Resolution to authorize a
NAC 350.110 Medium-term Obligation or Installment Purchase Agreement. A sample form is attached as Exhibit A. The information necessary to comply with the law is contained in the sample and includes the following:
- 1. Name of the governing body;
 - 2. Name of the local government entity;
 - 3. Whether the meeting is special or regularly scheduled;
 - 4. Date and time of the meeting;
 - 5. Location of the meeting;
 - 6. Total amount of the proposed obligation;
 - 7. Purpose(s) for which the funds will be used;
 - 8. How the obligation is to repaid; and
 - 9. The publication date.
- NRS 350.087 C. The date on which the Notice of Intention is published in a newspaper of general circulation for at least one publication must be **at least 10 days prior to the date of action on the** Resolution Authorizing a Medium-term Obligation or Installment Purchase Agreement. For example, if the Notice of Intention is published on the 10th of the month, no action may be taken on the Resolution Authorizing a Medium-term Obligation until the 20th of the month at the earliest. It may be acted upon at a later date as long as it is the noticed meeting or a recessed meeting.

- NRS 350.087 D. The next action of the governing body is to act upon the Resolution Authorizing a Medium-term Obligation or Installment Purchase Agreement. A sample form is attached as Exhibit B. Basically, this resolution contains the same information as the Notice of Intention. Differences are enumerated below.
- NRS 350.087
NAC 350.120
1. The vote must be by a **TWO-THIRDS** vote of the entire governing body. (not just the ones present at the meeting)
 2. Require certification and seal of the governing body.
 3. Statement of fact (s) upon which the governing body of the local government entity has determined public interest requires a medium-term obligation or installment purchase agreement.
- NAC 350.140
4. The interest rate, if any, shall be stated. If the interest rate is not known, an estimated rate must be shown and a statement that it does not exceed by more than 3% the Index of Twenty Bonds (Index of Revenue Bonds for installment purchase agreements) that was most recently published before the bids are received or a negotiated offer is accepted. If the resolution does not state whether interest will be charged on the medium-term obligation that is funded by an inter-fund loan, no interest may be charged.
 5. A statement that identifies each source of revenue of the local government that is anticipated to be used to repay the medium term obligation or installment purchase agreement and the dollar amount that is anticipated to be available to repay the medium term obligation or installment purchase agreement from each such source.
 6. If the resolution is for an installment purchase agreement with the term of more than 10 years, a statement comparing the cost of the installment purchase financing with other available methods of financing including, without limitation, financing with general obligation bonds or revenue bonds and if the statement concludes that installment purchase financing is more expensive than other available methods of financing, a statement explaining the reasons for choosing installment purchase financing instead of the less expensive alternative.
- E. If the Resolution Authorizing a Medium-term Obligation or Installment Purchase Agreement is adopted, the local government shall send the following to the Department of Taxation:
- NRS 350.089
1. A certified copy of the Resolution Authorizing a Medium-term Obligation or Installment Purchase Agreement. The resolution should substantially compare with the Notice of Intention.
- NAC 350.120(2)
2. Excerpts from the minutes of the meeting of the governing body during which the resolution was adopted which include, without limitation, the vote on the resolution and any comments made by the governing body or a member of the public at the meeting. If no public comment was made, a simple statement to that effect can be included in the minutes.
- NAC 350.120(3)
3. A proof of publication of the Notice of Intention to act on the resolution, as required by NRS 350.087.
- NAC 350.120(4)
4. A written statement specifying:
 - (a) The source of the money to be used to repay the debt incurred by the medium-term obligation; and
 - (b) All pertinent data supporting the ability of the local government to repay the debt without affecting its tax rate including, without limitation, and only if applicable:
 - (1) Anticipated increases in revenues available for repayment after determining anticipated reductions in revenues;
 - (2) Anticipated decreases in expenditures available for repayment after determining anticipated increases in expenditures; and

- (3) Any amount of money which may be available for repayment from the balance of a fund, reserve or contingency account.
- NRS 350.091 (c) All negotiable notes or bonds will mature not later than ten years from the date of issuance; all installment purchase agreements have a term of not exceeding 30 years.
- NRS 350.091 (d) The negotiable notes or bonds may, at the option of the local government, contain a provision which allows redemption of the notes or bonds prior to maturity, upon such terms as the governing body determines.
- (e) The time when payments will be made, such as monthly, quarterly or annually, if known.
- NAC 350.120(5) 5. The anticipated time required to enter into the medium-term obligation or installment purchase agreement.
- NAC 350.120(6) 6. The proposed amortization schedule for repayment of the debt incurred by the medium-term obligation or installment purchase agreement.
- NAC 350.120(7) 7. Any other supporting data which the governing body of the local government entity deems pertinent.

F. Other Considerations

- NAC 350.130 1. The governing body of a local government that adopts a resolution authorizing a medium-term obligation or installment purchase agreement must act on such authorization not later than 18 months following the approval of the executive director of the Department of Taxation, except when the obligation is issued to pay for a contract for long-term construction or for a program to acquire land. If the governing body does not act within the time required, the authorization is void and a new resolution authorizing a medium-term obligation or installment purchase agreement must be adopted.
- NAC 350.160 2. The period for repayment of the debt incurred by a medium-term obligation or installment purchase agreement begins on the date on which the medium-term obligation or installment purchase agreement is entered into. If the governing body of the local government enters in the medium-term obligation or installment purchase agreement in a manner in which the debt will be incurred in installments, each installment must have a separate period of repayment effective from the date on which the debt is incurred.
- NRS 318.275 3. Districts formed under NRS 318 (with a district population of 5,000 or less) must submit a copy of the written approval received from the county Debt Management Commission.
- NRS 350.0145 4. Any entities seeking approval of installment purchase agreement financing with a term in excess of 10 years must submit a copy of the written approval received from the county Debt Management Commission.
- NRS 350.091 (4) 5. If the term of the medium-term obligation or installment purchase agreement exceeds 5 NAC 350 (temporary) years, the entity must use the weighted average useful life of the assets being financed as the term of the obligation.
- NRS 450.665 6. Hospital Districts are required to receive approval from the Debt Management Commission and the County Commissioners.
- NRS 350.091 (1a) 7. A corrected section from the revised Capital Improvement Plan if the project being financed was not included on the plan on file with the Department of Taxation.

II. ACTIONS BY THE DEPARTMENT OF TAXATION

Upon receipt of the properly executed documents listed above, the Executive Director of the Department of Taxation, as soon as is practicable, shall:

- NRS 350.089 A. Consider the tax structure of the local government entity and its compliance with the provisions of the Local Government Budget & Finance Act.
- B. Determine the probable ability of the entity to repay the obligation.
- C. Approve or disapprove the entity's resolution in writing to the governing body.

NO SUCH RESOLUTION IS EFFECTIVE UNTIL APPROVED BY THE EXECUTIVE DIRECTOR OF THE DEPARTMENT OF TAXATION.

III. FINAL ACTIONS BY THE LOCAL GOVERNMENT ENTITY

- NRS 350.089 A. Enter the written approval of the Executive Director of the Department of Taxation into its minutes, and
- B. Secure the loan supported by the approved medium-term obligation or installment purchase agreement.
- NRS 350.089 C. In the event of disapproval of the resolution by the Executive Director of the Department of Taxation, the governing body may appeal the decision to the Nevada Tax Commission.

**SAMPLE
NOTICE OF INTENTION TO AUTHORIZE
A MEDIUM-TERM OBLIGATION**

Notice is hereby given that the **(NAME OF GOVERNING BODY)** of **(NAME OF ENTITY)**, State of Nevada, will hold a public hearing at a **(REGULAR OR SPECIAL)** meeting to be held on **(DATE)** at the hour of **(TIME)** o'clock (**A.M./P.M.**) in the **(BUILDING, STREET ADDRESS, CITY & STATE)** to act upon a Resolution Authorizing a Medium-term Obligation (or Installment Purchase Agreement) in the amount of \$ **(TOTAL AMOUNT OF OBLIGATION)** to enable **(NAME OF ENTITY)** to **(DESCRIBE THE PURPOSE (S) FOR WHICH THE FUNDS WILL BE USED, USING AS MANY LINES AS NECESSARY).**

The proposed obligation is to be repaid by **(LIST SOURCES OF FUNDS FOR REPAYMENT, USING AS MANY LINES AS NECESSARY INCLUDING A REFERENCE TO ANY NON-FUNDING CLAUSE THAT MAY BE REQUIRED)**

All persons are invited to attend and to be heard regarding the proposed action. Prior to the hearing, written comments may be filed with the **(CLERK, SECRETARY, MANAGER, ETC.)** and will be considered.

Publication date: **(SHOW DATE NOTICE WILL BE PUBLISHED)**

SAMPLE
RESOLUTION AUTHORIZING A MEDIUM-TERM OBLIGATION
INSTALLMENT PURCHASE AGREEMENT

WHEREAS, the **(NAME OF GOVERNING BODY)** of **(NAME OF ENTITY)**, at a **(REGULAR OR SPECIAL)** meeting held on **(DATE at TIME, A.M./P.M.)** determined that the public interest requires a Medium-term Obligation (or Installment Purchase Agreement); and the following findings of fact determine this:

(STATE THE FACTS WHICH SUPPORT THE NECESSITY OF THE RESOLUTION AUTHORIZING A MEDIUM-TERM OBLIGATION OR INSTALLMENT PURCHASE AGREEMENT, USING AS MANY LINES AS NECESSARY.)

WHEREAS, proper notice was given of the intention to act upon the Resolution Authorizing a Medium-term Obligation **(or Installment Purchase Agreement)** pursuant to Nevada Revised Statutes 350.087 and Nevada Administrative Code 350.100 through 350.160.

Now, therefore, it is hereby RESOLVED that the **(NAME OF GOVERNING BODY)** of **(NAME OF ENTITY)** proposes to borrow a sum not to exceed (or proposes to enter an Installment Purchase Agreement with a principal amount not to exceed) **(\$ TOTAL AMOUNT OF OBLIGATION)**, at an annual interest rate not to exceed **(INTEREST RATE)** to be repaid over **(TIME PERIOD NOT TO EXCEED THE USEFUL LIFE OF THE ASSET)**.

The purpose (s) for which the funds are to be used is/are: **(SHOW PURPOSES USING AS MANY LINES AS NECESSARY.)**

The obligation will be repaid from **(SHOW SOURCE (S) OF THE FUNDS FOR REPAYMENT OF THE OBLIGATION, INCLUDING A REFERENCE TO ANY NON-FUNDING CLAUSE THAT MAY BE REQUIRED, USING AS MANY LINES AS NECESSARY.)**

The dollar amount available to repay the obligation from each source specified above is: **(STATE DOLLAR AMOUNT AVAILABLE FROM EACH SOURCE SPECIFIED IN PRIOR PARAGRAPH, USING AS MANY LINES AS NECESSARY)**

(If the resolution is for an installment purchase agreement with the term of more than 10 years, INCLUDE a statement comparing the cost of the installment purchase financing with other available methods of financing including, without limitation, financing with general obligation bonds or revenue bonds and if the statement concludes that installment purchase financing is more expensive than other available methods of financing, INCLUDE a statement explaining the reasons for choosing installment purchase financing instead of the less expensive alternative.)

It is further RESOLVED that the **(CLERK/SECRETARY/ MANAGER ETC)** forward the necessary documents to the Executive Director, Department of Taxation, Carson City, Nevada.

PASSED and ADOPTED this _____ day of _____
by the Governing
Body consisting of _____ members
Ayes: _____
Nays: _____
Absent: _____

Signature of Chairman of Governing Body

Required certification & seal in this area

(Two-thirds vote required)

ATTEST:

By:

(Clerk/Secretary)

(Deputy)

MEDIUM-TERM OBLIGATIONS/INSTALLMENT PURCHASE AGREEMENT FINANCING

List of documents required by the Department of Taxation:

- _____1. Proof of publication of the Notice of Intention to Authorize a Medium-term Obligation or Installment Purchase Agreement.
- _____2. Certified copy of the Resolution Authorizing a Medium-term Obligation or Installment Purchase Agreement.
- _____3. Excerpts from the minutes of the meeting of the Governing Body during which the resolution was adopted which include, without limitation, the vote on the resolution and any comments made by any of the members of the Governing Body or a member of the public at the meeting.
- _____4. A written statement to include the following:
 - A. The source of the money to be used to repay the debt incurred by the medium-term obligation.
 - B. All pertinent data supporting the ability of the local government to repay the debt without affecting its tax rate including, without limitation, and only if applicable:
 - (1) Anticipated increases in revenues available for repayment after determining anticipated reductions in revenues;
 - (2) Anticipated decreases in expenditures available for repayment after determining anticipated increases in expenditures; and
 - (3) Any amount of money which may be available for repayment from the balance of a fund, reserve or contingency account.
 - C. The negotiable notes or bonds will mature not more than ten years from the date of issuance; or the Installment Purchase Agreement will mature in not more than 30 years.
 - D. The negotiable notes or bonds may, at the option of the local government, contain a provision that allows redemption of the notes or bonds prior to maturity, upon such terms as the governing body determines.
 - E. The time payments will be made, such as monthly, quarterly or annually, if known.
 - F. The anticipated time required to enter into the medium-term obligation.
 - G. Proposed amortization schedule for the term of the obligation.
 - H. A draft copy of the note or agreement if a non-funding clause is included, as outlined in NRS 350.800. An executed copy must be submitted when final.
 - I. If a non-funding clause is included in the financing instrument, an explanation of the financial and operational effects on the local government if funds are not appropriated for the debt in any fiscal year and how the lender would be remedied, in relation to their security interest.
 - J. If the proposed financing is a transaction described in NRS 350.800 and exceeds 10 years a comparison between the total cost for this method of financing and the total cost for general obligation/revenue supported bonds must be presented to the governing board. If the governing board chooses the more costly method of financing, a statement must be included with the package submitted to the Executive Director of the Department of Taxation explaining the board's decision to incur the additional expense.
 - K. The amended pages of the entity's capital improvement plan, if the capital acquisition to be financed was not included in the current plan on file with the Department of Taxation. [NRS 350.091 (1a)].
- _____5. Any other supporting data that the governing body deems pertinent. This may consist of taxing authority available, a history of assessed valuations and the commercial situation in the area affected by the proposed obligation.
- _____6. Approval of the Debt Management Commission if required.

NEVADA REVISED STATUTES

NRS 350.0055 “Installment-purchase agreement” defined. “Installment-purchase agreement” means an agreement for the purchase of real or personal property by installment or lease or another transaction that is described in [NRS 350.800](#) which:

1. Is required to be counted against any limit upon the debt of a local government pursuant to subsection 1 of [NRS 350.800](#); or
2. Is not required to be counted against any limit upon the debt of a local government and:
 - (a) Exceeds \$100,000 for a local government in a county whose population is 100,000 or more; or
 - (b) Exceeds \$50,000 for a local government in a county whose population is less than 100,000.

The term “installment-purchase agreement” does not include an obligation to pay rent pursuant to a lease which contains no option or right to purchase or which contains only an option or right to purchase the property without any credit towards the purchase price for lease or rental payments.

(Added to NRS by 2001, [2303](#))

NRS 350.007 “Medium-term obligation” defined. “Medium-term obligation” means an obligation to repay borrowed money evidenced by a note or bond which is authorized to be issued pursuant to [NRS 350.087 to 350.095](#), inclusive, and which has a term of 10 years or less. The term does not include an obligation which has term of less than 1 year and which is payable in full from money appropriated for the same fiscal year that the obligation is incurred. (Added to NRS by 2001, [2304](#))

NRS 350.087 Resolution authorizing medium-term obligation or installment-purchase agreement: Adoption; contents; notice.

1. If the public interest requires a medium-term obligation or installment-purchase agreement, the governing body of any local government, by a resolution adopted by two-thirds of its members, may authorize a medium-term obligation or installment-purchase agreement. For the purposes of the issuance of a medium-term obligation pursuant to [NRS 280.266](#), a metropolitan police committee on fiscal affairs shall be deemed the governing body of a local government.

2. The resolution must contain:

- (a) A finding by the governing body that the public interest requires the medium-term obligation or installment-purchase agreement;
- (b) A statement of the facts upon which the finding required pursuant to paragraph (a) is based;
- (c) A statement that identifies:
 - (1) Each source of revenue of the local government that is anticipated to be used to repay the medium-term obligation or installment-purchase agreement; and
 - (2) The dollar amount that is anticipated to be available to repay the medium-term obligation or installment-purchase agreement from each source; and
- (d) If the resolution is for an installment-purchase agreement with a term of more than 10 years:
 - (1) A statement comparing the cost of installment-purchase financing with other available methods of financing, including, without limitation, financing with general obligation bonds or revenue bonds; and
 - (2) If such statement concludes that installment-purchase financing is more expensive than other available methods of financing, a statement explaining the reasons for choosing installment-purchase financing instead of a less expensive alternative.

3. Except as otherwise provided in subsection 4, before the adoption of any such resolution, the governing body shall publish notice of its intention to act thereon in a newspaper of general circulation for at least one publication. No vote may be taken upon the resolution until 10 days after the publication of the notice. The cost of publication of the notice required of an entity is a proper charge against its general fund.

4. If such a resolution will be adopted by a metropolitan police committee on fiscal affairs, the sheriff of the county in which the metropolitan police department is located shall publish the notice required pursuant to subsection 3.

(Added to NRS by 1995, 1810; A 1997, 1295; 1999, [275](#); 2001, [2312](#))

NRS 350.089 Approval of resolution for medium-term obligation or installment-purchase agreement by executive director of department of taxation; appeal to Nevada tax commission. Except as otherwise provided in [NRS 280.266](#) and [NRS 496.155](#):

1. [Upon](#) the adoption by a local government of a resolution for a medium-term obligation or installment-purchase agreement, as provided in [NRS 350.087](#), a certified copy thereof must be forwarded to the executive director of the department of taxation. As soon as is practicable, the executive director of the department of taxation shall, after consideration of the tax structure of the local government concerned, the probable ability of the local government to repay the requested medium-term obligation or installment-purchase agreement and the compliance of the local government with the applicable provisions of law, including, without limitation, the provisions of [chapter 354 of NRS](#), approve or disapprove the resolution in writing to the governing board. No such resolution is effective until approved by the executive director of the department of taxation. The written approval of the executive director of the department of taxation must be recorded in the minutes of the governing board.

2. If the executive director of the department of taxation does not approve the resolution for the medium-term obligation or installment-purchase agreement, the governing board of the local government may appeal the executive director's decision to the Nevada tax commission.

(Added to NRS by 1995, 1810; A 1997, 1295; 1999, [276](#); 2001, [2312](#))

NRS 350.091 Governing body to update plan for capital improvement under certain circumstances; issuance and terms of evidence of medium-term obligation or installment-purchase agreement; regulations.

1. Whenever the governing body of any local government is authorized to enter into a medium-term obligation or installment-purchase agreement as provided in [NRS 280.266](#) or [350.089](#) that is intended to finance a capital project, the governing body shall update its plan for capital improvement in the same manner as is required for general obligation debt pursuant to [NRS 350.013](#).

2. Whenever the governing body of any local government is authorized to enter into a medium-term obligation as provided in [NRS 350.089](#), the governing body may issue, as evidence thereof, negotiable notes or medium-term negotiable bonds that, except as otherwise provided in subsection 5 of [NRS 496.155](#):

- (a) Must mature not later than 10 years after the date of issuance;
- (b) Must bear interest at a rate or rates which do not exceed by more than 3 percent the Index of Twenty Bonds which was most recently published before the bids are received or a negotiated offer is accepted; and
- (c) May, at the option of the local government, contain a provision which allows redemption of the notes or bonds before maturity, upon such terms as the governing body determines.

3. Whenever the governing body of any local government is authorized to enter into an installment-purchase agreement as provided in [NRS 280.266](#) or [350.089](#), the governing body may issue, as evidence thereof, an installment-purchase agreement, lease or other evidence of a transaction described in [NRS 350.800](#). An installment-purchase agreement, lease or other evidence of a transaction described in [NRS 350.800](#) issued pursuant to this subsection:

- (a) Must have a term that is 30 years or less;
- (b) Must bear interest at a rate or rates that do not exceed by more than 3 percent the Index of Revenue Bonds which was most recently published before the local government enters into the installment-purchase agreement; and
- (c) May, at the option of the local government, contain a provision that allows prepayment of the purchase price upon such terms as are provided in the agreement.

4. If the term of the medium-term obligation or installment-purchase agreement is more than 5 years, the weighted average term of the medium-term obligation or installment-purchase agreement may not exceed the estimated weighted average useful life of the assets being financed with the medium-term obligation or installment-purchase agreement. For the purposes of this subsection, the Committee on Local Government Finance may adopt regulations that provide guidelines for the useful life of various types of assets and for calculation of the weighted average useful life of assets.

5. If a lease purchase or installment-purchase agreement pursuant to NRS 280.266 or 350.089 involves the construction, alteration, repair or remodeling of an improvement:

(a) The person or entity that executes one or more contracts or agreements for the actual construction, alteration, repair or remodeling of the improvement shall include in such a contract or agreement the contractual provisions and stipulations that are required to be included in a contract for a public work pursuant to the provisions of NRS 338.013 to 338.090, inclusive.

(b) The governing body, the contractor who is awarded the contract or entered into the agreement to perform the construction, alteration, repair or remodeling of the improvement and any subcontractor on the project shall comply with the provisions of NRS 338.013 to 338.090, inclusive, in the same manner as if the governing body had undertaken the project or had awarded the project.

(Added to NRS by 1995, 1810; A 1997, 1296; 1999, [276](#); 2001, [2313](#); 2009, [2070](#))

NRS 350.093 Limitations on transfer of money for medium-term obligation; refund of transfer.

1. After a medium-term obligation has been authorized as provided in [NRS 350.089](#) and if, in the judgment of the governing board of the local government, the fiscal affairs of the local government can be carried on without impairment and there is sufficient money in the general fund or a surplus in any other fund, with the exception of the bond interest and redemption fund, of the local government, the governing board may transfer from the general fund or from the surplus appearing in any fund, with the exception of the bond interest and redemption fund, money sufficient to meet the purpose of the medium-term obligation.

2. When such a transfer is made, the governing board of the local government shall comply with the provisions of [NRS 350.095](#), and when the special tax is thereafter collected, the amount so collected must be placed immediately in the fund from which the loan was made.

3. In cases where the fund from which the loan was made, at the time of the transfer of funds there from, contains a surplus that in the judgment of the executive director of the department of taxation is or will not be needed for the purposes of the fund in the ordinary course of events, the special tax need not be levied, collected and placed in the fund from which the loan was made, but the transfer shall be deemed refunded for all purposes of [NRS 350.087](#) to [350.095](#), inclusive.

(Added to NRS by 1995, 1811; A 1999, [277](#); 2001, [2314](#))

NRS 350.095 Levy of special tax; transfer of money remaining in fund.

1. At the first tax levy following the creation of any medium-term indebtedness, the governing board of any local government shall, if necessary, levy a tax sufficient to pay the medium-term indebtedness. The tax must be designated "County of Special Tax," "City of Special Tax," "Town of Special Tax," "..... School District Special Tax," "..... Agricultural Association Special Tax," or "..... District Special Tax," as the case may be, the proceeds of which must be placed in a medium-term debt service fund in the treasury of the county or city, or in a medium-term debt service fund in the county treasury in the cases of towns, school districts, irrigation districts, special districts or agricultural associations, to be used solely to redeem the medium-term indebtedness for which the tax is levied.

2. The treasurer of any county is authorized, upon receipt of a written resolution of the governing board of any local government for which a special tax fund is maintained, to transfer the money remaining in the medium-term debt service fund of that local government to the general fund of that local government after payment in full of the indebtedness and the interest thereon.

(Added to NRS by 1995, 1811)

NAC 350.100 Medium-term obligation as appropriation or augmentation. ([NRS 350.087](#), [360.090](#)) A medium-term obligation authorized pursuant to [NRS 350.087](#) may constitute an appropriation or budget augmentation or may augment resources as permitted by statute and as specified in the resolution of the governing body of the local government.

(Added to NAC by Tax Comm'n, eff. 7-9-96)

NAC 350.110 Notice of intent. ([NRS 350.087](#), [360.090](#)) The notice of intent to act on a resolution which authorizes a medium-term obligation that is published by the governing body of a local government as required pursuant to [NRS 350.087](#) must include:

1. The time and place of the public hearing during which the resolution will be voted on by the governing body;
2. The proposed method of repayment of the medium-term obligation;
3. The total amount of the debt of the medium-term obligation; and
4. The manner in which the money received from the medium-term obligation will be used and the purpose thereof.

(Added to NAC by Tax Comm'n, eff. 7-9-96)

NAC 350.120 Forwarding of documents to department of taxation following authorization. ([NRS 350.089](#), [360.090](#)) After the adoption of a resolution which authorizes a medium-term obligation, the governing body of the local government shall forward to the department of taxation:

1. A copy of the final resolution;
2. Excerpts from the minutes of the meeting of the governing body during which the resolution was adopted, which include, without limitation, the vote on the resolution and any comments made by the governing body or a member of the public at the meeting;
3. Proof of the publication of the notice to act on the resolution which authorizes a medium-term obligation as required pursuant to [NRS 350.087](#);
4. A written statement specifying:
 - (a) The source of the money to be used to repay the debt incurred by the medium-term obligation; and
 - (b) All pertinent data supporting the ability of the local government to repay the debt without affecting its tax rate, including, without limitation, and only if applicable:
 - (1) Anticipated increases in revenues available for repayment after determining anticipated reductions in revenues;
 - (2) Anticipated reductions in expenditures available for repayment after determining anticipated increases in expenditures; and
 - (3) Any amount of money which may be available for repayment from the balance of a fund, reserve or contingency account;
5. The anticipated time required to enter into the medium-term obligation;
6. The proposed amortization schedule for repayment of the debt incurred by the medium-term obligation; and
7. Any other supporting data which the governing body of the local government deems pertinent.

(Added to NAC by Tax Comm'n, eff. 7-9-96)

NAC 350.130 Authorization void after 18 months. ([NRS 350.089](#), [360.090](#)) The governing body of a local government which adopts a resolution authorizing a medium-term obligation must act on such authorization not later than 18 months following the approval of the executive director of the department of taxation, except when the obligation is issued to pay for a contract for long-term construction or for a program to acquire land. If the governing body does not act within the time required, the authorization is void and a new resolution authorizing a medium-term obligation must be adopted.

(Added to NAC by Tax Comm'n, eff. 7-9-96)

NAC 350.140 Interest. ([NRS 350.009](#), [350.087](#), [350.089](#), [360.090](#))

1. If the money for a medium-term obligation is obtained from an existing fund of a local government, the resolution authorizing the medium-term obligation must specify whether interest will be charged and the rate thereof, if any.

2. If the resolution does not specify whether interest will be charged on the medium-term obligation, no interest may be charged.

(Added to NAC by Tax Comm'n, eff. 7-9-96)

NAC 350.150 Temporary interfund loan. Deleted. Moved to NAC 354.290.

NAC 350.151 Conversion of temporary interfund loan into medium-term obligation. (NRS 350.009)

1. Unless otherwise prohibited by law, the terms of a temporary interfund loan may be revised in such a manner as to convert the temporary interfund loan into a medium-term obligation if:

(a) The borrowing local government:

(1) Requests the revision at least 61 days before the date upon which the term of that temporary interfund loan expires;

(2) Complies with the provisions of [NRS 350.087](#) to [350.095](#), inclusive, and [NAC 350.100](#) to [350.170](#), inclusive, regarding that medium-term obligation; and

(3) Provides for the repayment of that medium-term obligation without adopting a budget that includes a negative fund balance in violation of subsection 5 of [NRS 354.598](#);

(b) The accounting procedures of the borrowing local government comply with generally accepted accounting principles for government as prescribed by the Government Accounting Standards Board; and

(c) The lending local government agrees to the revision.

2. As used in this section:

(a) "Borrowing local government" means a local government or component unit of a local government which has obtained a temporary interfund loan.

(b) "Component unit" means a separate legal entity from a local government whose financial statements must be included in the annual audit of that local government conducted pursuant to NRS 354.624.

(c) "Lending local government" means a local government or component unit of a local government which has made a temporary interfund loan.

(d) "Temporary interfund loan" has the meaning ascribed to it in [NAC 354.290](#).

(Added to NAC by Com. of Local Gov't Finance by R135-10, eff. 12-16-2010)

NAC 350.160 Repayment. The period for repayment of the debt incurred by a medium-term obligation begins on the date on which the debt is incurred. If the governing body of the local government enters into a medium-term obligation in a manner in which the debt will be incurred in installments, each installment must have a separate period of repayment effective from the date on which the debt is incurred.

(Added to NAC by Tax Comm'n, eff. 7-9-96)

NAC 354.290 Temporary interfund loans: Conditions; interest. (NRS354.107, 354.6118)

1. Unless otherwise prohibited by law, the governing body of a local government may make a temporary interfund loan if:

(a) The governing body complies with the provisions of NRS 354.6118;

(b) Any money for the loan which obtained from the proceeds from the sale of a bond is used only for the purposes set forth in the bond ordinances;

(c) The loan is not made from any debt service fund or from any fund established or maintained as a fund dedicated to the payment of bonded debt and interest;

(d) The resolution authorizing the loan specifies whether interest will be charged and the rate thereof, if any;

(e) It is agreed in writing that the loan must be repaid within 1 year after the date on which the loan was made;

(f) A copy of the resolution authorizing the loan is filed with the Department; and

(g) The governing body agrees to notify the Department when the loan has been repaid.

2. If the resolution authorizing the making of a temporary interfund loan does not specify whether interest will be charged pursuant to paragraph (d) of subsection 1, no interest may be charged.
 3. As used in this section:
 - (a) "Component unit" means a separate legal entity from a local government whose financial statements must be included in the annual audit of that local government conducted pursuant to NRS 354.624.
 - (b) "Temporary interfund loan" means a loan of money for a term of less than 1 year from a fund to meet an immediate obligation of another fund in advance of receipt by the borrowing fund of sufficient revenues from regular sources, including such a loan from a fund of:
 - (1) A local government to:
 - (I) Another fund of that local government;
 - (II) A fund of a component unit of that local government;
 - (III) A fund of another local government; or
 - (IV) A fund of a component unit of another local government; and
 - (2) A component unit of a local government to:
 - (I) Another fund of that component unit;
 - (II) A fund of another component unit of that local government;
 - (III) A fund of that local government or of another local government; or
 - (IV) A fund of a component unit of another local government.
- (Added to NAC by Com. on Local Gov't Finance by R135-10, eff. 12-16-2010)

**SAMPLE
MEDIUM-TERM OBLIGATION REPAYMENT WORKSHEET**

Entity Name: _____

Prepared by: _____

Fund Identification: _____

Title: _____

Purpose of request: _____

Date: _____

Principal amount of obligation: \$ _____

Interest @ _____ % for _____ yrs _____

Please indicate how interest is calculated: true interest cost - weighted average - other

Total amount to be repaid: _____

Annualized payment: \$ _____

METHOD OF REPAYMENT	FY 20__	FY 20__	FY 20__	FY 20__	FY 20__	FY 20__	FY 20__	FY 20__	FY 20__	FY 20__	TOTAL
Anticipated increases in overall revenues available for repayment. List: _____	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Anticipated reductions in overall expenditures available for repayment. List: _____	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Other source(s) Please specify: _____	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Fund Balance available for debt service payment	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
TOTALS	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$