

PROCEEDINGS OF THE BOARD OF COUNTY COMMISSIONERS IN AND FOR THE COUNTY OF LINCOLN,
STATE OF NEVADA

October 23, 2007

#1-CALL TO ORDER/ROLL CALL/INVOCATION/PLEDGE OF ALLEGIANCE

The Board met in special session with Chairwoman Ronda Hornbeck calling the meeting to order at 2:30. Clerk Lisa Lloyd called the roll with Commissioners Tommy Rowe, Ronda Hornbeck, Wade Poulsen and Bill Lloyd being present. Commissioner Paul Mathews is absent, but there is a quorum present. The agenda was posted on 10-16-07 to comply with the open meeting law.

#2-SPECIAL IMPROVEMENT DISTRICT FOR TOQUOP PLANNING AREA

Ken Dixon advised that JNA Consulting and Swendseid and Stern are the two bond counsels making presentation. Scott Nash and Sean Peterson are present from JNA Consulting. Adam Spears and Scott Shaver are present from Swendseid and Stern. Sean reviewed the Municipal Bond Issue Participants diagram. The county will be issuing bonds for improvements in the Toquop area. LC will have their name on the bonds, but the bonds will be payable from revenues generated from property taxes in that area.

Paul joins the meeting at this time.

JNA would be assisting the county in issuing the bonds. Scott Shaver, Swendseid & Stern, advised that they assist the county in drafting the documents necessary for forming the district. Scott S. advised that they assist in the financing/underwriting of the bonds as well. Sean advised that the underwriter will take the bonds to market for sale. Eventually the money will flow to the investors who will be the holders of the bonds. The bonds are being paid for by the assessment of the property taxes. The bonds up for consideration are also known as assessment bonds. The financing is tied to the land. If the property is sold, the assessment will pass on to the next buyer and the lien will exist until it is paid in full. An investor who buys a bond security is that essentially they are buying the property that is assessed. One of the first things that will need to happen is that the county will have to adopt a developer resolution. Scott N. discussed the process for the bonds. Ronda asked Scott N. if the county would be responsible for paying the bonds if the development didn't happen. Scott responded by saying that the offering document will say that this is not an obligation of LC and there will not be a requirement for LC to pay for them. The investors take the risk on the development and if the developer doesn't make the payment in the future, it will not be incumbent upon the county to do so. Scott S. described the two types of bonds. Since the security is the property, the appraisal becomes an important document in this transaction. Scott N. advised that the county will need to get a separate appraisal at or near the time that the bonds are sold. This appraisal is usually included in the offering document for the investors. The county will get an appraisal of any land that will be assessed for payment of the special improvement bonds, or any land that will be a guarantee for the bonds. The developer who will benefit from this will put up a deposit for this. Usually there is an absorber study that would be included with the appraisal. This would also be paid for by the deposit from the developer. Ronda asked if there was a limitation as to the amount that the county can go out for bonding. Scott stated that on development transactions like this they don't count against the statutory limit. The investors will be more interested in the economics of the district being considered. Usually assessment districts don't overlap and they are sometimes done in phases. Ken advised that the power transmission line and the shared transportation are the issues being considered for the SID. The power line itself will cost about \$50 million and the transportation will cost more than \$50 million. Paul stated that he believes that power line infrastructure is able to be done under an SID bond as there is a loop hole. Ken advised that the power district is a 318 district, or public agency, by doing an interlocal agreement it will allow for bonding under SID. Ken further advised that another bonding issue that will come up in the near future is the \$10 million SID for the Alamo Industrial Park (AIP). Currently, if the SID was done for the AIP it would have to be a county pledge from the general fund. Ronda stated that the developers in the LC Land Act could work with the payment with their paychecks. However, Ronda stated that there are other issues in the county that wouldn't necessarily apply to this. Ronda advised that these are things that need to be considered. The fee structure would have to come from somewhere else if they are working in other places in the county. Doug Carriger stated that Coyote Springs plans on making improvements through SID as well. On assessment bonds, due to the length of time involved, there is a developer deposit that is used for the payment of fees. This deposit is reimbursable when the bonds come due. The people who buy bonds in general are interested in a fixed income investment. An investor's interest on the bond would be tax exempt. Accordingly, as the county will be able to offer that is because banks will offer the funding at a lower rate. The return is market driven. At the time that the bonds are sold, an offering document will be provided. Bond market conditions will be based on the market at the time that the bonds are sold. The underwriter's job is to sell the bonds

at a low enough rate to get returns but high enough to realize some earnings. The bonds will be structured in such a way that there won't be a run on the bonds. If someone wants to sell their bonds then they will have to find a buyer for it. The risk that the county runs if they back the particular bond is that if the assessments aren't sufficient then the county will have to pay out of the general fund and possibly levy taxes to cover it. When a house is purchased, it will have the regular assessment taxes and the SID levy as well. The assessment taxes will go to a separate fund as opposed to the general county fund and these assessments are used to pay for the bonds. The proceeds from the bonds are what will be used to fund the improvements. It is desirable for all of the land to become private when this type of district is being considered; then the county isn't on the hook for any of it. Ronda said that in order to make the SID work bond counsel, an assessment engineer, an underwriter, an appraiser, a financial advisor and a firm to handle the assessment payments will have to be hired. Chuck Brechler advised that part of the financial advisor's responsibilities is to make recommendations for the hiring of the above-mentioned positions. Scott N. advised that not all of these professionals are hired at the same time; some will be hired at the end of the process. Doug mentioned that the SID projects become the property of the relevant local government, i.e. streets would go to the county. The gas taxed may be strained to maintain the roads after they are built. Doug stated that CS has a GID in place to levy assessments to pay for the maintenance of the streets. The costs of maintaining the streets in other developments might fall on some of the residents in CS. Doug would like to see some type of limitation that requires the costs for such maintenance to fall on the residents of each individual development. Ken stated that the county road department doesn't have the wherewithal to maintain the roads in the Toquop area. Along with this, a GID for maintenance will need to be formed for the Toquop area as well. This will allow for the accrual of maintenance fees. Sean reviewed the timing associated with this transaction. There is some discussion concerning the fact that there are multiple developers involved in this proposed SID. Some of developers have the money to move forward and others do not. If one of the developers doesn't consent to being part of the district, then the district would have to be initiated by the county. If an SID is formed with property owner consent, the process is expedited. This is where title issues come into play. If there isn't 100% consent, there will be a requirement for public hearings and a multitude of other issues that would arise. If there is a majority of land holders that want to move forward, the SID will still move forward. The SID is a benefit to the developer as well as to the county. The ability to sell the bonds would be put in jeopardy if one of the property owners opted out. There is no guarantee that the bonds will be bought unless the investor is certain that they will be paid back. There are certain federal tax requirements as to expectation as to when the county will expend the funds received at the bond closing. A trustee bank can be hired to hold the funds for payment. These funds can be invested. There is no intermediate payment by the county for any portions of the completed projects. The invoice would go to the trustee bank. Doug mentioned that it would be good to discuss the selection of the assessment engineer with the developers. Everything will be paid for through the developers. Ken advised that one of the things that have to be considered is that there are two proposals for these firms: one from Swendseid & Stern and the other from JNA. These will appear on the 11-19 agenda.

#3-PUBLIC COMMENT

There is no public comment at this time.

#4-ADJOURN

There being no further business for the Board to attend to, **Wade made a motion to adjourn the meeting at 3:54; seconded by Paul. All voted in favor.**

Attest: _____ Approve: _____