

CARLIN CITY COUNCIL
CITY OF CARLIN, STATE OF NEVADA
SPECIAL MEETING
CARLIN CITY HALL
101 S 8th Street
Carlin, Nevada
April 1, 2015, 6:00 p.m.

Call to Order and Roll Call:

Mayor Donnetta Skinner called the meeting of the City Council to order at 6:07 p.m.

Council Members Present: Mayor Donnetta Skinner
Vice Mayor Lincoln Litchfield
Councilperson Jay Duke
Councilperson Pam Griswold

Absent: Councilperson Bob DeMars

1. Administrative Staff: City Manager David Jones, City Clerk LaDawn Lawson, Public Works Director Carlos Esparza
2. Present: Jim Brown, Anna Dean, Scott Shaver, Mark Pressman, Karla Jones, Cliff Eklund.

Pledge of Allegiance

- I. **Comment by the General Public: Pursuant to NRS 241.020(2C) this time is devoted to comments by the general public and discussion of those comments. No action may be taken upon a matter raised under this item until the matter has been included on a successive agenda and identified as an action item. (Non-Action Item)**
 1. None.
- II. **Review and discussion of creating a SID/SAD (Special Improvement District / Special Assessment District) for the Carlin Crossing Development Area, this presentation will be offered by Scott Shaver, Mark Pressman and Ben Levine and all related matters. (Non-Action Item)**
 1. Scott Shaver, with firm of Yocca, Carlson & Rauth and Mark Pressman, Wulff Hansen of San Francisco, reported Ben Levine became ill and would not be present, but Mark Pressman would be presenting his information.
 2. Mark Pressman stated the presentation would involve Special Improvement Districts (SID), which is public financing for public improvements on private property. This would involve public infrastructure that would be acquired by the City, creating a public/private partnership with the intention of accruing benefits for both parties.
 3. Councilperson Jay Duke inquired if it would be predominantly public purpose.
 4. Scott Shaver stated he would research the NRS 271. He thinks people would view it as public, because historically the assessment districts are the way that most infrastructure is financed and now in Nevada, more developments have been financed through assessment districts. The primary purpose of the presentation is for any questions to be answered.
 5. Vice Mayor Lincoln Litchfield inquired about the bonding.
 6. Mark Pressman stated this allows a mechanism for an agency or municipality of the state to issue bonds in either private or public market to finance a specific list of eligible improvements within a geographic area in the city. The funds come from private investors and the improvements come back to the city. All of them would have to be conveyed back to the

public entity that would then become responsible for them. The public agency contributes the ability to access the public marketplace to finance the improvement with tax exempt financing. The public entity will receive the new subdivision and improvements at no cost to the city. It potentially increases economic activity, increased housing, employment and tax revenues and the SID financing is provided with no financial liability to the general fund.

7. Scott Shaver reported NRS 271-277 has one method of financing it is to have the bonds payable solely from the assessments levied against the property financing the project.
8. Mark Pressman stated because this is at the option of the Council, they “can proactively option out where you are not going to be exposed or option where you do offer to back it with the general fund”.
9. Scott Shaver stated there are two ways to do assessment districts under Nevada law, one is traditional assessment district, which is a very small geographic area in a city and an assessment would be levied against each property owner within the area that would benefit by the improvement and you may or may not borrow money to finance that. If you borrow money to finance that, the statute allows pledging the general fund and a property tax levy to repay that obligation. NRS 271 specifically provides for situations where you can choose that the bonds would be paid solely from the assessments. In his experience, the developments he has worked on in the state, they are paid solely from assessments where the public entity does not pledge its general fund.
10. Mark Pressman stated it is not proper to expose the general public interest in the general fund and general taxing power on something that is not a benefit to the entire city, such as a sewer plant, etc.
11. Councilperson Jay Duke stated it would be beneficial to define who the public agency is and who the property owner is.
12. Mark Pressman replied the agency would be City of Carlin and owners anywhere in the city that benefit for the improvements. The property owners contribute and allow liens to be placed as collateral. The property owner receives attractive financing for development, opportunity to develop, sell or lease property and future property owners assume the payments after they acquire the property, essentially built-in financing. The new property owner takes over the responsibility of paying the SID financing.
13. Vice Mayor Lincoln Litchfield confirmed that initially the property owner would be developer until the property is sold and that owner who buys a piece of property would then pay back the loan.
14. Mark Pressman explained without the SID financing, they would have to pay for it or finance it through a bank. The concept is that the SID financing goes with the property.
15. Vice Mayor Lincoln Litchfield inquired what restricts them from getting another bond for something else.
16. Councilperson Jay Duke questioned if it would have an impact of obtaining another loan?
17. City Manager David Jones inquired if the city as the entity goes into debt for 20% of its assessed value, would this bond affect that percentage.
18. Scott Shaver reported this type of financing does not count against it because it is solely payable through assessments. That debt limit does not apply to this. This is a debt that is specifically paid by a property tax.
19. Mark Pressman explained that the concept that SID financing is focused on specific defined district, a special improvement district, which has a specific geographical boundary, which may or may not, outside of that the properties are not affected, they are not benefitted, they do not pay for it, they are not part of that district. The district is receiving benefit and is paying for those. “You” could potentially do a citywide SID, then boundaries of that are the entire city. Even though it was a SID, it would probably go against the general fund because it is local to the entire city. SID typically is in a small localized, focused area secured by the land. It is not the general-issuing body of the City that is affected. If the property owner does not pay the assessment, they lose the land. A general obligation bond would go against the City because it

- is voted. He stated rating agencies do not rate land secured transactions any place because they are not considered municipal obligations. If any SID were to fail or experience problems, I will go on record that I do not believe it would impact the City in general ability to raise funds in the public market or to get a rating.
20. Councilperson Jay Duke stated they do not want it fail, the SID applied for by Carlin Crossing, over a period of time shows some signs of failure that it will affect our ability because our rating is included in this municipality.
 21. Vice Mayor Lincoln Litchfield stated he wants to protect the city's ability to do financial transactions and our reputation.
 22. Mark Pressman explained if he is retained by the city as its financial advisor, then it becomes my fiduciary responsibility so your concerns become my concerns. That is my responsibility to advise you and give you information relative to it, good or bad. If Carlin Crossing is successful then presumably it should improve the city's coffers. If it fails and the city does not pledge its general fund or taxing power, I do not believe the city would be worse off than it is today as far as the financing of Carlin Crossing. It is not going to detract from the city's finances, because you are not involving the general fund, nor are you exposing yourself to tax. If Carlin Crossing were to fail, there might be guilt by association, because it is in Carlin and it could be called a failed project, but financial exposure or expense or detraction as far as rating agencies, there would be no negative impact on the city.
 23. Chairperson David Jones stated he wants to make sure the city would not be compromised.
 24. Scott Shaver explained his job as their lawyer is to tell them what the statute says and that is precisely what is legally available and legally pledged. In this situation, assuming that the city did not use the general fund or taxing powers, the only things available would be levy of assessments on the property in question. My expertise is not with the rating agencies and Mr. Pressman deals with that all the time.
 25. Mark Pressman related his involvement in a bankruptcy event in Vallejo and the assessment districts land secured never missed a beat because they were outside of the general fund. He explained the participating parties and their descriptions. The value of the project used to be 2-3 times better than the amount outstanding in the lien in the property. An appraiser is needed to give almost a worst-case value with the bond proceeds being applied. If done in different phases, they can only take the value of that property with the first phase having infrastructure in place and then we have to do it as if it is a 'bulk sale', appraising it as if all of it is going to be sold together. That guides how much debt can be floated against that property. The absorption study give an idea of how long it is going to take for different types of property to sell. Typically residential sells rather quickly. Assessment engineer is bound by statute to make a boundary map and an assessment diagram showing each parcel in that boundary and a spread of the cost and help put together the cost analysis. Bond counsel guides the process through to make sure it is done legally and issues a tax opinion indicating to the investors that the interest that will be paid on the bonds will be exempt from federal and state income tax.
 26. Discussion was held on opinions by the Attorney General.
 27. Mark Pressman stated the City is in the driver's seat controlling the SID process and nothing happens without the city's say-so. The developer owns the property and applies to city for SID, and if the city does not agree, he is "dead in the water" and has to go find financing. We would be the financial advisor and take on fiduciary responsibility and help coordinate the process, bond counsel, developers, appraiser and all the different layers, trying to facilitate the SID. We advise you frankly on whatever is the appropriate circumstances. The finance team would be city staff, the bond counsel and "ourselves". We work for you. The underwriter is the people who go out in the marketplace and offer the bonds to investors and raise the money. Once the money is raised, they turn it over to the city, which uses it to acquire the improvements.
 28. Councilperson Jay Duke inquired who the participating parties are at this time.
 29. Mark Pressman stated the appraiser is not yet selected, because we have to know we have something to work with before we hire the appraiser and the assessment engineer will come

shortly after we get the nucleus. We do not know that you are going to say yes. We would have to poll the city staff and developer to try to find the candidates and then talk to them in conjunction with staff to make sure it would be someone who worked properly for the district. We want to make sure you are comfortable with the process before we go ahead.

30. Vice Mayor Lincoln Litchfield inquired if they went ahead who would the questions be directed to.
31. Mark Pressman stated, myself and Bud Levine for Wulff Hansen.
32. Scott Shaver explained all of the work is done primarily through the Reno office, all of it comes directly through him, but they have 28 attorneys. He explained the documents involved, hitting the highlights. The first step would be for the developer to agree to a deposit agreement with the city that would allow the city to receive funds from the developer. The next step would be the Petition application for the formation of the SID. When this is submitted to the City, it is fairly well done and the professionals would digest that to make sure it conforms the NRS, etc. At that point, you start negotiating the development and financing agreement and all of this information is put into an agreement with the developer and bond issuance. The formation of the district itself is next, assessment ordinance and the bond ordinance that can be adopted at 1 or 2 Council meetings. NRS allows you to adopt a bond issuance as if an emergency exists. This is a prospectus which is the preliminary official statement that gives all of the information to the potential bond investors that is material under federal securities laws in order to make informed decisions to either purchase the bond or not. That document is also prepared in conjunction with the underwriters, your counsel and your financial advisors. It tells all of the material, facts and disclosures related to the bond and protects the city.
33. Councilperson Jay Duke inquired if the four resolutions are infrastructure-based.
34. Scott Shaver explained once they have adopted the assessment ordinance and gone through that process, at that point you have now levied those assessments. If the market is in turmoil and you simply cannot find a buyer for the bonds, at that point we would have to explore other ways or delay.
35. Mark Pressman reported that Nevada law only allows bonds, regardless of what kind it is, including SIDs, cannot exceed the Nevada Bond Industry Index by 3%. You cannot sell bonds at a fire sale at 12% when the market is at 6%. Nevada law caps the interest rate. If the market demands higher than that cap, then we don't sell bonds. That is another safeguard for the city not being gouged with excessive interest cost.
36. County Commissioner Cliff Eklund inquired at what point do they come to the Elko County Debt Commission.
37. Mark Pressman stated NRS 350 does not require that. SID is its own little island rather than a city responsibility. That is another distinction from land secured versus taxing.
38. Scott Shaver stated an assessment district in Nevada is a geographic area, existence in itself.
39. Discussion was held of the Sequence of Events list. The first column had blue markings, which show the Council involvement. The first and second readings have to be separate meetings.
40. Mark Pressman stated there would be approximately 6-7 meetings at the City Council so that each step as it progresses forward is accepted or not. The Council is apprised and able to abort at any time or encourage or ask questions or redirect within the rules. The Council has multiple opportunities to stay informed and stay involved in the process.
41. Councilperson Jay Duke inquired if there is an estimate of the time it would take from line 1-54 on the sequence.
42. Mark Pressman stated probably 4-5 months, possibly longer.
43. Scott Shaver stated one of the variables would be all of the developer's details, plans, etc.
44. Mark Pressman stated it has to be structured so that it is a win for the city, the developer and win for the ultimate property owners. It has to be structured very carefully. Everyone wants the positives out of it and if it done carefully it should be successful. The flow of Funds Diagram gives a perspective of how things go together. He described the flow. Once the bonds are paid, the lien is gone.

45. Scott Shaver stated the counties in Nevada are willing to collect assessment for districts of this type. I don't know if that is being done here now and that is yet to be determined.
46. Mark Pressman explained if they pay cash and pay off the assessment the bonds would be paid off.
47. Councilperson Jay Duke inquired is it reduced subsequently by selling each piece.
48. Scott Shaver replied negatively, stating the property owner never at any moment has an opportunity to pay. Generally speaking there would be a cash prepay for the assessments when you first levy them and each property owner can pay them in cash without any premium within that cash pre-pay period. If you are the investor, you are saying now we are past that, what is going to stop these property owners from just paying me and so after that time, a property owner, depending on what the market dictates will be able to pre-pay their assessments plus the relevant premium if they so choose.
49. Mark Pressman noted basically an SID is designed to allocate the cost of benefits on a fair appropriation assessment against each of the parcels it benefits. The lien against each of those assessments, whoever is the property owner has the option to pay off in cash and if they do there is no need to finance that. If they do not pay in cash, we do not have the money to pay for the improvements so we have to raise the money through the sale of bonds, which is a financing vehicle for the unpaid lien. As the bonds are paid down over the 30-year period. The lien will decrease against that property until there is no lien remaining. For example you start with a \$3 million bond and 20 of the 30 years, you might have 50% of the lien amortized down just like a mortgage.
50. County Commissioner Cliff Eklund if the land is sold, what happens to the money, does that go to the developer or to pay off the bond.
51. Mark Pressman stated the SID has already been raised and gone to pay for the public improvements and the investor is the person who put up that money, but the property owner #1 took it from raw land to subdivided land. Then they sell it to property owner #2. The responsibility to pay the SID payments moves to property owner #2, who has the option of assuming those payments during the tenure of their ownership or they can pay it off in cash.
52. County Commissioner Cliff Eklund inquired if the bond money transfers with the land.
53. Mark Pressman replied affirmatively. It is just like a mortgage, but it is an assumable mortgage that flows with the property from one owner to another. Most bonds have a 10-year non-callable period. While he owns the property he must pay the annual assessment installments. If he owns five parcels and sells one, he would be responsible for 4 assessments and the one would be assumed by the new property owner.
54. Councilperson Jay Duke inquired if the information is going to be sent to the City Manager that he has requested.
55. Mark Pressman replied affirmatively.
56. City Manager David Jones stated he would distribute it to everyone.
57. Mark Pressman stated transparency and staying involved is important for all parties involved, not just the City.
58. Vice Mayor Lincoln Litchfield stated his appreciation for the input they presented.
59. Councilperson Jay Duke inquired why Carlin Crossing elected to not attend.
60. City Manager David Jones stated they wanted to let the Council ask their own questions and did not want to inhibit any questions openly.
61. Councilperson Jay Duke stated he finds that "very silly".
62. Mayor Donnetta Skinner stated she talked to Paul Tanguay today and he thought it would allow the Council to discuss this freely. I really do think he wanted us to feel comfortable and ask anything we wanted without looking at him. In all fairness to him, he said he would be here if we wanted him.
63. Vice Mayor Lincoln Litchfield stated he was extending a courtesy to us.
64. Councilperson Jay Duke inquired he would like to know the timeline for Paul Tanguay now.
65. City Manager David Jones stated they have to put some funding together.

66. Mark Pressman stated the first step would be whether the Council wants to move forward with this. There is no need for them to do anything if you are not for it.
67. Councilperson Jay Duke stated he felt it was important for Paul to be here tonight. He invited him to come.
68. Mark Pressman stated, "I will take the hit". I told him that it would be better if they did not show, because I wanted to make you feel that this was a free conversation without restriction, because sometimes you get the party in the room and it discourages the flow of information. I will take responsibility for that.
69. Mayor Donnetta Skinner stated we have worked with Paul for a long time and I for one would not have wanted to ask a question if it embarrassed him. He is ready to answer any questions we ask of him and I did tell him to talk to Councilperson Jay Duke and if he talked to him, he did not have to be here.
70. Councilperson Jay Duke stated he talked to him briefly.
71. Mark Pressman stated, "One of the other things I want to emphasize is that if we are retained by the Council that we work for you, not for the developer". Interacting with them is important and understand their needs and then reflect that back to you. My responsibility, as I see subject to your direction, is to work on both sides of the fence to make sure both parties are successful. I am not precluded from working with the developer, but I want it emphatically clear that I work for you.
72. Mayor Donnetta Skinner stated she called the list of people they gave them and there was not one who had a negative comment about these two companies. "All of them said they would do it all over again. Did it have a bad influence on the city and all of them said it had helped their community a great deal and their projects. I did not find one that said they would not do it again, but I did have one that said that they were just new and they agreed that I could call in 6-8 months to get their comments, but she gave me to another person who said it would be in our best interests to go forward, that this was the way to do it. That the City would not be held responsible. I have been a naysayer in this, but I am worried about Carlin being put in a position we cannot get out of, but they told me these guys could probably guarantee that we would not be put in a position and if they thought we were going to, they would get us out".
73. Councilperson Jay Duke inquired if we decided to go forward and wanted to get an opinion from the AG's office.
74. Scott Shaver stated he did not know, but with the legislature in process, it would not be a high priority. He would be curious to know what that question is because there are some issues that are clear under state law that have been decided.
75. Councilperson Jay Duke stated we would want to make sure it completely legal. "I am sure it is, but we don't want egg on our face or the credibility damaged or compromised in any way. We still have an obligation to the citizens in the community and out infrastructure to maintain it and be responsible."
76. Scott Shaver stated I am not sure how long it would take, because there are not that many AG opinions requested in the state. They do not have any precedential value for a court and it is simply what the AG's view is. The bond counsel is usually the most conservative person sitting at the table.
77. Mayor Donnetta Skinner stated, "I do not want this to fail on my watch".
78. County Commissioner Cliff Eklund stated he is here for information. He answered my question, you get the bond, the developer develops and skates. The property owners end up paying for it and basically he has free money to develop it. I am concerned because I have talked to a few bond people and if it does go south, the City will never be able to bond again".
79. Councilperson Jay Duke and Mayor Donnetta Skinner stated that question had been answered tonight.
80. County Commissioner Cliff Eklund stated the credit rating for the city would be affected.
81. Mayor Donnetta Skinner stated they answered that too.
82. County Commissioner Cliff Eklund stated he came in late.

83. Mayor Donnetta Skinner stated they could explain it to County Commissioner Cliff Eklund after the meeting and she thinks it would help him to hear it.
84. County Commissioner Cliff Eklund stated they are going through the same thing on the county level and they have been turned down 3 times.
85. Mark Pressman inquired and discussion was held on that project in Elko.
86. City Manager David Jones inquired if the members would like to have some answers from Paul Tanguay who he texted and is out of town.
87. Councilperson Jay Duke stated he has his number.
88. Mayor Donnetta Skinner stated we got a lot of information and am pleased that you answered the questions we had.
89. Mark Pressman stated he values working with conservative people like in this community. If we are retained to work for you, I will support and reinforce your values if there is push and shove between the city and the developer; there has to be some give and it would probably be the developer. The developer is coming to you to ask for help and the public financing helps facilitate improvements in a community. If used wisely and thoughtfully, it can be a very valuable tool for the developer, but also for the community itself.

III. Comments by the General Public: Pursuant to NRS 241.020(2C) this time is devoted to comments by the general public and discussion to those comments. No action may be taken upon a matter raised under this item until the matter has been included on a successive agenda and identified as an action item. (Non-Action Item).

1. None.

IV. Adjournment. (Possible Action Item)
Councilperson Jay Duke moved for adjournment with Vice Mayor Lincoln Litchfield seconding the motion. The meeting was adjourned at 7:50 p.m.

APPROVED:

DONNETTA SKINNER, MAYOR

ATTEST:

CITY CLERK LADAWN LAWSON