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ASSEMBLY BILL NO. 183—ASSEMBLYMEN SMITH, CONKLIN, OCEGUERA, HORNE, BOBZIEN; AIZLEY, ANDERSON, ATKINSON, BENITEZ-THOMPSON, BROOKS, BUSTAMANTE ADAMS, CARLTON, CARRILLO, DIAZ, DONDERO LOOP, FLORES, FRIERSON, HOGAN, KIRKPATRICK, MASTROLUCA, NEAL, OHRENSCHALL AND SEGERBLOM

FEBRUARY 16, 2011

Referred to Committee on Government Affairs

SUMMARY—Revises provisions regarding the establishment and maintenance of a reserve account for payment of the outstanding bonds of a school district. (BDR 30-114)

FISCAL NOTE: Effect on Local Government: No.  
Effect on the State: No.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

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AN ACT relating to school districts; revising the provisions regarding the establishment and maintenance of a reserve account for payment of the outstanding bonds of a school district; and providing other matters properly relating thereto.

**Legislative Counsel’s Digest:**

1 Under existing law, the board of trustees of a school district may issue certain  
2 general obligation bonds. At the time the bonds are issued, the board of trustees  
3 must establish in its debt service fund a reserve account for payment of the  
4 outstanding bonds of the school district. (NRS 350.020) This bill changes the  
5 amount of the reserves required to 10 percent of the outstanding principal or 25  
6 percent, for larger counties, and 50 percent, for smaller counties, of the amount of  
7 principal and interest payments due on all outstanding bonds of the school district  
8 in the next fiscal year, whichever is less.



\* A B 1 8 3 \*

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN  
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1       **Section 1.** NRS 350.020 is hereby amended to read as follows:  
2       350.020 1. Except as otherwise provided by subsections 3  
3 and 4, if a municipality proposes to issue or incur general  
4 obligations, the proposal must be submitted to the electors of the  
5 municipality at a special election called for that purpose or the next  
6 general municipal election or general state election.  
7       2. Such a special election may be held:  
8       (a) At any time, including, without limitation, on the date of a  
9 primary municipal election or a primary state election, if the  
10 governing body of the municipality determines, by a unanimous  
11 vote, that an emergency exists; or  
12       (b) On the first Tuesday after the first Monday in June of an  
13 odd-numbered year.  
14       ➤ The determination made by the governing body is conclusive  
15 unless it is shown that the governing body acted with fraud or a  
16 gross abuse of discretion. An action to challenge the determination  
17 made by the governing body must be commenced within 15 days  
18 after the governing body's determination is final. As used in this  
19 subsection, "emergency" means any occurrence or combination of  
20 occurrences which requires immediate action by the governing body  
21 of the municipality to prevent or mitigate a substantial financial loss  
22 to the municipality or to enable the governing body to provide an  
23 essential service to the residents of the municipality.  
24       3. If payment of a general obligation of the municipality is  
25 additionally secured by a pledge of gross or net revenue of a project  
26 to be financed by its issue, and the governing body determines, by  
27 an affirmative vote of two-thirds of the members elected to the  
28 governing body, that the pledged revenue will at least equal the  
29 amount required in each year for the payment of interest and  
30 principal, without regard to any option reserved by the municipality  
31 for early redemption, the municipality may, after a public hearing,  
32 incur this general obligation without an election unless, within 90  
33 days after publication of a resolution of intent to issue the bonds, a  
34 petition is presented to the governing body signed by not less than 5  
35 percent of the registered voters of the municipality. Any member  
36 elected to the governing body whose authority to vote is limited by  
37 charter, statute or otherwise may vote on the determination required  
38 to be made by the governing body pursuant to this subsection. The  
39 determination by the governing body becomes conclusive on the last  
40 day for filing the petition. For the purpose of this subsection, the  
41 number of registered voters must be determined as of the close of  
42 registration for the last preceding general election. The resolution of



1 intent need not be published in full, but the publication must include  
2 the amount of the obligation and the purpose for which it is to be  
3 incurred. Notice of the public hearing must be published at least 10  
4 days before the day of the hearing. The publications must be made  
5 once in a newspaper of general circulation in the municipality.  
6 When published, the notice of the public hearing must be at least as  
7 large as 5 inches high by 4 inches wide.

8 4. The board of trustees of a school district may issue general  
9 obligation bonds which are not expected to result in an increase in  
10 the existing property tax levy for the payment of bonds of the school  
11 district without holding an election for each issuance of the bonds if  
12 the qualified electors approve a question submitted by the board of  
13 trustees that authorizes issuance of bonds for a period of 10 years  
14 after the date of approval by the voters. If the question is approved,  
15 the board of trustees of the school district may issue the bonds for a  
16 period of 10 years after the date of approval by the voters, after  
17 obtaining the approval of the debt management commission in the  
18 county in which the school district is located and, in a county whose  
19 population is 100,000 or more, the approval of the oversight panel  
20 for school facilities established pursuant to NRS 393.092 in that  
21 county, if the board of trustees of the school district finds that the  
22 existing tax for debt service will at least equal the amount required  
23 to pay the principal and interest on the outstanding general  
24 obligations of the school district and the general obligations  
25 proposed to be issued. The finding made by the board of trustees is  
26 conclusive in the absence of fraud or gross abuse of discretion. As  
27 used in this subsection, "general obligations" does not include  
28 medium-term obligations issued pursuant to NRS 350.087 to  
29 350.095, inclusive.

30 5. At the time of issuance of bonds authorized pursuant to  
31 subsection 4, the board of trustees shall establish a reserve account  
32 in its debt service fund for payment of the outstanding bonds of the  
33 school district. The reserve account must be established and  
34 maintained in an amount at least equal to the lesser of :

35 *(a) For a school district located in a county whose population*  
36 *is 100,000 or more, twenty-five percent; and*

37 *(b) For a school district located in a county whose population*  
38 *is less than 100,000, fifty percent,*

39 *↪ of the amount of principal and interest payments due on all of the*  
40 *outstanding bonds of the school district in the next fiscal year or 10*  
41 *percent of the outstanding principal amount of the outstanding*  
42 *bonds of the school district.*

43 6. If the amount in the reserve account falls below the amount  
44 required by ~~[this subsection:]~~ *subsection 5:*



1 (a) The board of trustees shall not issue additional bonds  
2 pursuant to subsection 4 until the reserve account is restored to the  
3 level required by ~~subsection 5;~~ **subsection 5;** and

4 (b) The board of trustees shall apply all of the taxes levied by  
5 the school district for payment of bonds of the school district that  
6 are not needed for payment of the principal and interest on bonds of  
7 the school district in the current fiscal year to restore the reserve  
8 account to the level required pursuant to ~~subsection 5.~~  
9 **subsection 5.**

10 ~~6.7.~~ **7.** A question presented to the voters pursuant to  
11 subsection 4 may authorize all or a portion of the revenue generated  
12 by the debt rate which is in excess of the amount required:

13 (a) For debt service in the current fiscal year;

14 (b) For other purposes related to the bonds by the instrument  
15 pursuant to which the bonds were issued; and

16 (c) To maintain the reserve account required pursuant to  
17 subsection 5,

18 ➤ to be transferred to the county school district's fund for capital  
19 projects established pursuant to NRS 387.328 and used to pay the  
20 cost of capital projects which can lawfully be paid from that fund.  
21 Any such transfer must not limit the ability of the school district to  
22 issue bonds during the period of voter authorization if the findings  
23 and approvals required by subsection 4 are obtained.

24 ~~7.7.~~ **8.** A municipality may issue special or medium-term  
25 obligations without an election.

26 **Sec. 2.** This act becomes effective upon passage and approval.

