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AN ACT relating to municipal obligations; clarifying that a general obligation issued or incurred by a municipality or school district must be used only for the stated purpose for which the general obligation was originally issued or incurred; requiring certain information to be included in certain publications relating to the intent of a municipality to issue or incur obligations; revising the manner of publication of a certain notice; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

Existing law authorizes municipalities and school districts to issue or incur general obligations upon meeting certain requirements. Municipalities generally are required to submit a proposal to issue or incur general obligations to the electors of the municipality at a special or general election, with the exception that municipalities may issue or incur general obligations by an affirmative vote of two-thirds of the members of the governing body of the municipality finding that the pledged non property tax revenue will be sufficient to service the debt, upon publishing a resolution of intent to issue or incur the obligation and upon meeting certain other procedural requirements. Under the exception, upon the filing of a petition by not less than 5 percent of the registered voters of the municipality, the obligation may be issued only pursuant to an election. (NRS 350.020) This bill: (1) clarifies that a general obligation issued or incurred by a municipality or school district must be used only for the stated purpose for which the general obligation was originally issued or incurred and not for any other purpose; (2) requires a publication of a resolution of the intent of a municipality to issue or incur a general obligation to include certain information relating to the filing of a petition to hold an election on the issuance of the obligation; and (3) requires the publication of the notice of the public hearing concerning the incurrence of the obligation to be made at least three times, once a week for 3 consecutive weeks, in a newspaper of general circulation in the municipality.

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

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

Section 1. NRS 350.020 is hereby amended to read as follows:
350.020 1. *A general obligation issued or incurred pursuant to this section must be used only for the stated purpose for which the general obligation was originally issued or incurred and not for any other purpose.* Except as otherwise provided by subsections 3 and 4, if a municipality proposes to issue or incur general obligations, the proposal must be submitted to the electors of the



municipality at a special election called for that purpose or the next general municipal election or general state election.

2. Such a special election may be held:

(a) At any time, including, without limitation, on the date of a primary municipal election or a primary state election, if the governing body of the municipality determines, by a unanimous vote, that an emergency exists; or

(b) On the first Tuesday after the first Monday in June of an odd-numbered year,

↳ except that the governing body shall not determine that an emergency exists if the special election is for the purpose of submitting to the electors a proposal to refund bonds. The determination made by the governing body is conclusive unless it is shown that the governing body acted with fraud, a gross abuse of discretion or in violation of the provisions of this subsection. An action to challenge the determination made by the governing body must be commenced within 15 days after the governing body's determination is final. As used in this subsection, "emergency" means any occurrence or combination of occurrences which requires immediate action by the governing body of the municipality to prevent or mitigate a substantial financial loss to the municipality or to enable the governing body to provide an essential service to the residents of the municipality.

3. If payment of a general obligation of the municipality is additionally secured by a pledge of gross or net revenue of a project to be financed by its issue, and the governing body determines, by an affirmative vote of two-thirds of the members elected to the governing body, that the pledged revenue will at least equal the amount required in each year for the payment of interest and principal, without regard to any option reserved by the municipality for early redemption, the municipality may, after a public hearing, incur this general obligation without an election unless, within 90 days after publication of a resolution of intent to issue the bonds, a petition is presented to the governing body signed by not less than 5 percent of the registered voters of the municipality. Any member elected to the governing body whose authority to vote is limited by charter, statute or otherwise may vote on the determination required to be made by the governing body pursuant to this subsection. The determination by the governing body becomes conclusive on the last day for filing the petition. For the purpose of this subsection, the number of registered voters must be determined as of the close of registration for the last preceding general election. The resolution of intent need not be published in full, but the publication must include



the amount of the obligation , ~~and~~ the purpose for which it is to be incurred ~~†~~ , *the date by which the registered voters of the municipality must file a petition with the governing body to hold an election on the issuance of the obligation, the location at which the petition must be filed with the governing body and the location at which a person may obtain additional information regarding the contents of and filing requirements for the petition.* Notice of the public hearing must be published at least ~~†10 days before the day of the hearing. The publications must be made†~~ *three times*, once *each week for three consecutive weeks*, in a newspaper of general circulation in the municipality. *The third publication of the notice required by this subsection must be made at least 10 days before the date of the hearing.* When published, the notice of the public hearing must be at least as large as 5 inches high by 4 inches wide.

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

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

(a) For a school district located in a county whose population is 100,000 or more, 25 percent; and



(b) For a school district located in a county whose population is less than 100,000, 50 percent,
↳ of the amount of principal and interest payments due on all of the outstanding bonds of the school district in the next fiscal year or 10 percent of the outstanding principal amount of the outstanding bonds of the school district.

6. If the amount in the reserve account falls below the amount required by subsection 5:

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

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

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

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

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

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

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

8. A municipality may issue special or medium-term obligations without an election.

Sec. 2. (Deleted by amendment.)

