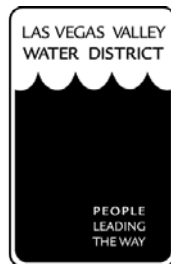


# **SECTION 7**

## **DEBT MANAGEMENT POLICY**



### **LAS VEGAS VALLEY WATER DISTRICT**

#### **FISCAL YEAR 2010/2011**

#### **OPERATING AND CAPITAL BUDGET**

# **LAS VEGAS VALLEY WATER DISTRICT DEBT MANAGEMENT POLICY**

The Las Vegas Valley Water District maintains a phased construction program to construct the capital facilities necessary to continue meeting water requirements within the District's service area.

In 1995, the District's Board of Directors approved the Las Vegas Valley Water District Major Construction Program (MCP), which consists of facilities (reservoirs, pumping stations, wells, and pipelines) that must be added to the District distribution system in order to satisfy projected water demands within the District's service area. Since 1995, the Board has approved revisions to the MCP, which provide for District facility construction through the year 2011. An updated summary of the MCP is shown in Section 6. The MCP is the primary factor driving the District's need to issue long term debt.

State legislation requires local governments to adopt an updated debt management policy annually or prior to incurring general obligation debt. Analysis of the District's debt position is important, as growth in the District has resulted in an increased need for capital financing. Resources, as well as needs, drive the District's debt issuance program. Decisions regarding the use of debt are based in part on the long-term needs of the District.

## **Water System Pledged Revenues**

The District's general obligation/revenue supported bonds (Water Bonds) constitute direct and general obligations of the District. The full faith and credit of the District is pledged to the payment of principal and interest due thereon, subject to Nevada constitutional and statutory limitations on the aggregate amount of ad valorem taxes. Although the Water Bonds are payable from general ad-valorem taxes on all taxable property in the District, Water Bonds are additionally secured by certain pledged revenues, and the District has never levied an ad valorem tax because District operating revenues have always been sufficient to pay debt service on all of the District's bonds and obligations secured by such revenues.

Water Bonds are additionally secured by the revenue received by the District from the sale and distribution of water, connection charges or otherwise derived from the works or property of the District after payment of reasonable and necessary costs of the operation and maintenance expenses of the water system and the general expenses of the District.

State legislation requires the District's Board of Directors to establish reasonable rates and charges for the products and services furnished by the District. Subject to the limitation that rates and charges must be reasonable, the Board must fix rates and charges which will produce sufficient revenues to pay (1) operating and maintenance expenses of the Water System, (2) the general expenses of the District, and (3) the principal of and interest on the District's first lien bonds and second lien bonds including any required sinking fund payments, and (4) debt service on all other securities. It is the general intent of the District Act and policy of the Board that rates and charges should be adequate to provide for all costs and that reliance on ad valorem taxes is to be avoided. To date there has been no reliance on ad valorem taxes to support District operations and there is no current plan or intention to use ad valorem taxes.

## Debt Capacity

The District's Board of Directors has the power to incur debt in accordance with the authorization granted by the Nevada legislature in Chapter 167, Statutes of Nevada 1947, as amended. The District's ability to issue and pay its debt is a function of its capital needs and revenues generated from District facilities. Currently, the district has no aggregate monetary debt limit. As of July 1, 2010, the District will have \$860,499,000 in out-standing general obligation debt. All applicable bond covenants such as ratios of net income to debt service, sinking funds, and insurance coverage have been met or exceeded. The District does not have a statutory debt limit. In May of 2010, Standard and Poor's Corporation rated the District's general obligation bond issues "AA+", while Moody's Investor Service, Inc. upgraded outstanding District general obligation bonds from a "Aa2" rating to a global rating of "Aa1". District bonds are guaranteed under an insurance policy and advanced refund bonds are rated "Aaa" by Moody's and "AAA" by Standard and Poor's. The general obligation commercial paper notes are rated A-1 by Moody's and p-1 by Standard and Poor's.

## Outstanding Debt Service

A summary of the District's outstanding debt and the detailed outstanding debt service schedules are shown on Tables 18 and 19. For the 2010/2011 Budget Plan the District has budgeted \$67,258,220 for the payment of principal and interest on the entire District's outstanding general obligation debt. The following debt service summaries show the actual amount of principle and interest as issued.

**Table 18**  
**Las Vegas Valley Water District**  
**SUMMARY OF ALL EXISTING OR PROPOSED**  
**GENERAL OBLIGATION BONDS, REVENUE BONDS, SHORT-TERM FINANCING,**  
**CAPITAL LEASES AND SPECIAL ASSESSMENT BONDS**

Name of Bond or Loan	Term	Original Amount Of Issue	Issue Date	Interest Rate	Outstanding Balance as of 07/01/2010	REQUIREMENTS FOR FY 2011		
						Principal Payable	Interest Payable	Total
Las Vegas Valley Water District								
"	30 Yrs	168,685,000	1/9/2003	4%-5.25%	132,875,000	3,375,000	6,779,938	10,154,938
"	22 Yrs	302,425,000	5/4/2005	4.0%-5.5%	255,810,000	11,870,000	12,544,481	24,414,481
"	30 Yrs	151,555,000	6/15/2006	4.75%-5%	146,215,000	2,870,000	7,215,800	10,085,800
"	30 Yrs	75,000,000	7/20/2006	Variable	72,365,000	1,415,000	2,109,226	3,524,226
"	30 Yrs	75,000,000	7/20/2006	Variable	72,365,000	1,415,000	2,109,226	3,524,226
"	30 Yrs	190,760,000	2/19/2008	5.0%	178,685,000	6,425,000	8,934,250	15,359,250
"	15 Yrs	2,520,000	7/15/2009	1.30%	2,184,000	168,000	27,300	195,300
<b>Total All Debt Service</b>		<b>\$965,945,000</b>			<b>\$860,499,000</b>	<b>\$27,538,000</b>	<b>\$39,720,220</b>	<b>\$67,258,220</b>

## Impact of Debt Service on Operating Expenses

Compared to the 2009/2010 Budget Plan, the District's 2010/2011 budget for the payment of principal and interest on the District's outstanding general obligation debt represents an decrease of \$4,315,749 or 6.0 percent. The District projects that, including the decrease in debt service expense, revenues will exceed expenditures by \$1,500,136 in 2010/2010. Although debt service expense is not the only expense category anticipated to decrease in 2010/2011, without the scheduled decrease in debt service, expenditures would have exceeded revenues by \$2,815,613.

**Table 19**  
**Las Vegas Valley Water District**  
**OUTSTANDING DEBT SERVICE SCHEDULE**  
**SUPPORTED BY WATER SYSTEM PLEDGED REVENUES**  
**AS OF JULY 1, 2010**

Due Date	2003A GO			2005A GO		
	Principal	Interest	Total	Principal	Interest	Total
2010/2011	3,375,000	6,779,938	10,154,938	11,870,000	12,544,481	24,414,481
2011/2012	3,550,000	6,602,751	10,152,751	10,630,000	11,950,981	22,580,981
2012/2013	3,735,000	6,416,375	10,151,375	11,165,000	11,419,481	22,584,481
2013/2014	3,935,000	6,220,288	10,155,288	11,735,000	10,861,231	22,596,231
2014/2015	4,140,000	6,013,700	10,153,700	12,340,000	10,274,481	22,614,481
2015/2016	4,355,000	5,796,350	10,151,350	12,965,000	9,657,481	22,622,481
2016/2017	4,585,000	5,567,713	10,152,713	13,640,000	9,009,231	22,649,231
2017/2018	4,825,000	5,327,000	10,152,000	14,340,000	8,327,231	22,667,231
2018/2019	5,080,000	5,073,688	10,153,688	15,080,000	7,610,231	22,690,231
2019/2020	5,345,000	4,806,988	10,151,988	15,860,000	6,856,231	22,716,231
2020/2021	5,625,000	4,526,375	10,151,375	16,675,000	6,063,231	22,738,231
2021/2022	5,925,000	4,231,063	10,156,063	17,540,000	5,229,481	22,769,481
2022/2023	6,235,000	3,920,000	10,155,000	18,315,000	4,484,031	22,799,031
2023/2024	6,545,000	3,608,250	10,153,250	19,150,000	3,682,750	22,832,750
2024/2025	6,870,000	3,281,000	10,151,000	20,145,000	2,725,250	22,870,250
2025/2026	7,215,000	2,937,500	10,152,500	21,195,000	1,718,000	22,913,000
2026/2027	7,575,000	2,576,750	10,151,750	13,165,000	658,250	13,823,250
2027/2028	7,955,000	2,198,000	10,153,000			
2028/2029	8,355,000	1,800,250	10,155,250			
2029/2030	8,770,000	1,382,500	10,152,500			
2030/2031	9,210,000	944,000	10,154,000			
2031/2032	9,670,000	483,500	10,153,500			
2032/2033						
2033/2034						
2034/2035						
2035/2036						
2036/2037						
2037/2038						
<b>Total Outstanding</b>	<b>\$ 132,875,000</b>	<b>\$ 90,493,976</b>	<b>\$ 223,368,976</b>	<b>\$ 255,810,000</b>	<b>\$ 123,072,056</b>	<b>\$ 378,882,056</b>

**Table 19 (continued )**  
**Las Vegas Valley Water District**  
**OUTSTANDING DEBT SERVICE SCHEDULE**  
**SUPPORTED BY WATER SYSTEM PLEDGED REVENUES**  
**AS OF JULY 1, 2010**

<b>Due Date</b>	<b>2006 GO-A</b>			<b>2006 GO-B</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010/2011	2,870,000	7,215,800	10,085,800	1,415,000	2,109,226	3,524,226
2011/2012	3,015,000	7,072,300	10,087,300	1,485,000	1,419,000	2,904,000
2012/2013	3,165,000	6,921,550	10,086,550	1,560,000	1,389,300	2,949,300
2013/2014	3,325,000	6,763,300	10,088,300	1,640,000	1,358,100	2,998,100
2014/2015	3,490,000	6,597,050	10,087,050	1,720,000	1,325,300	3,045,300
2015/2016	3,665,000	6,422,550	10,087,550	1,805,000	1,290,900	3,095,900
2016/2017	3,845,000	6,239,300	10,084,300	1,900,000	1,254,800	3,154,800
2017/2018	4,040,000	6,047,050	10,087,050	1,990,000	1,216,800	3,206,800
2018/2019	4,240,000	5,845,050	10,085,050	2,090,000	1,177,000	3,267,000
2019/2020	4,455,000	5,633,050	10,088,050	2,195,000	1,135,200	3,330,200
2020/2021	4,675,000	5,410,300	10,085,300	2,305,000	1,091,300	3,396,300
2021/2022	4,910,000	5,176,550	10,086,550	2,420,000	1,045,200	3,465,200
2022/2023	5,155,000	4,931,050	10,086,050	2,545,000	996,800	3,541,800
2023/2024	5,415,000	4,673,300	10,088,300	2,670,000	945,900	3,615,900
2024/2025	5,685,000	4,402,550	10,087,550	2,805,000	892,500	3,697,500
2025/2026	5,970,000	4,118,300	10,088,300	2,945,000	836,400	3,781,400
2026/2027	6,265,000	3,819,800	10,084,800	3,090,000	777,500	3,867,500
2027/2028	6,580,000	3,506,550	10,086,550	3,245,000	715,700	3,960,700
2028/2029	6,910,000	3,177,550	10,087,550	3,410,000	650,800	4,060,800
2029/2030	7,235,000	2,849,325	10,084,325	3,580,000	582,600	4,162,600
2030/2031	7,580,000	2,505,663	10,085,663	3,755,000	511,000	4,266,000
2031/2032	7,940,000	2,145,613	10,085,613	3,945,000	435,900	4,380,900
2032/2033	8,315,000	1,768,463	10,083,463	4,140,000	357,000	4,497,000
2033/2034	8,715,000	1,373,500	10,088,500	4,350,000	274,200	4,624,200
2034/2035	9,150,000	937,750	10,087,750	4,565,000	187,200	4,752,200
2035/2036	9,605,000	480,250	10,085,250	4,795,000	95,900	4,890,900
2036/2037						
2037/2038						
<b>Total Out- standing</b>	<b>\$ 146,215,000</b>	<b>\$ 116,033,513</b>	<b>\$ 262,248,513</b>	<b>\$ 72,365,000</b>	<b>\$ 24,071,526</b>	<b>\$ 96,436,526</b>

**Table 19 (continued )**  
**Las Vegas Valley Water District**  
**OUTSTANDING DEBT SERVICE SCHEDULE**  
**SUPPORTED BY WATER SYSTEM PLEDGED REVENUES**  
**AS OF JULY 1, 2010**

<b>Due Date</b>	<b>2006 GO-C</b>			<b>2008 GO-A</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010/2011	1,415,000	2,109,226	3,524,226	6,425,000	8,934,250	15,359,250
2011/2012	1,485,000	1,419,000	2,904,000	6,740,000	8,613,000	15,353,000
2012/2013	1,560,000	1,389,300	2,949,300	7,125,000	8,276,000	15,401,000
2013/2014	1,640,000	1,358,100	2,998,100	4,095,000	7,919,750	12,014,750
2014/2015	1,720,000	1,325,300	3,045,300	4,300,000	7,715,000	12,015,000
2015/2016	1,805,000	1,290,900	3,095,900	3,620,000	7,500,000	11,120,000
2016/2017	1,900,000	1,254,800	3,154,800	3,800,000	7,319,000	11,119,000
2017/2018	1,990,000	1,216,800	3,206,800	3,990,000	7,129,000	11,119,000
2018/2019	2,090,000	1,177,000	3,267,000	4,190,000	6,929,500	11,119,500
2019/2020	2,195,000	1,135,200	3,330,200	4,400,000	6,720,000	11,120,000
2020/2021	2,305,000	1,091,300	3,396,300	4,620,000	6,500,000	11,120,000
2021/2022	2,420,000	1,045,200	3,465,200	4,850,000	6,269,000	11,119,000
2022/2023	2,545,000	996,800	3,541,800	5,095,000	6,026,500	11,121,500
2023/2024	2,670,000	945,900	3,615,900	5,350,000	5,771,750	11,121,750
2024/2025	2,805,000	892,500	3,697,500	5,615,000	5,504,250	11,119,250
2025/2026	2,945,000	836,400	3,781,400	5,900,000	5,223,500	11,123,500
2026/2027	3,090,000	777,500	3,867,500	6,195,000	4,928,500	11,123,500
2027/2028	3,245,000	715,700	3,960,700	6,500,000	4,618,750	11,118,750
2028/2029	3,410,000	650,800	4,060,800	6,830,000	4,293,750	11,123,750
2029/2030	3,580,000	582,600	4,162,600	7,170,000	3,952,250	11,122,250
2030/2031	3,755,000	511,000	4,266,000	7,525,000	3,593,750	11,118,750
2031/2032	3,945,000	435,900	4,380,900	7,905,000	3,217,500	11,122,500
2032/2033	4,140,000	357,000	4,497,000	8,300,000	2,822,250	11,122,250
2033/2034	4,350,000	274,200	4,624,200	8,715,000	2,407,250	11,122,250
2034/2035	4,565,000	187,200	4,752,200	9,150,000	1,971,500	11,121,500
2035/2036	4,795,000	95,900	4,890,900	9,605,000	1,514,000	11,119,000
2036/2037				10,085,000	1,033,750	11,118,750
2037/2038				10,590,000	529,500	11,119,500
<b>Total Out- standing</b>	<b>\$ 72,365,000</b>	<b>\$ 24,071,526</b>	<b>\$ 96,436,526</b>	<b>\$ 178,685,000</b>	<b>\$ 147,233,250</b>	<b>\$ 325,918,250</b>

**Table 19 (continued )**  
**Las Vegas Valley Water District**  
**OUTSTANDING DEBT SERVICE SCHEDULE**  
**SUPPORTED BY WATER SYSTEM PLEDGED REVENUES**  
**AS OF JULY 1, 2010**

<b>Due Date</b>	<b>CLEAN RENEWABLE ENERGY 2008</b>			<b>TOTAL ALL ISSUES</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010/2011	168,000	27,300	195,300	27,538,000	39,720,220	67,258,220
2011/2012	168,000	25,116	193,116	27,073,000	37,102,148	64,175,148
2012/2013	168,000	22,932	190,932	28,478,000	35,834,938	64,312,938
2013/2014	168,000	20,748	188,748	26,538,000	34,501,517	61,039,517
2014/2015	168,000	18,564	186,564	27,878,000	33,269,395	61,147,395
2015/2016	168,000	16,380	184,380	28,383,000	31,974,561	60,357,561
2016/2017	168,000	14,196	182,196	29,838,000	30,659,040	60,497,040
2017/2018	168,000	12,012	180,012	31,343,000	29,275,893	60,618,893
2018/2019	168,000	9,828	177,828	32,938,000	27,822,297	60,760,297
2019/2020	168,000	7,644	175,644	34,618,000	26,294,313	60,912,313
2020/2021	168,000	5,460	173,460	36,373,000	24,687,966	61,060,966
2021/2022	168,000	3,276	171,276	38,233,000	22,999,770	61,232,770
2022/2023	168,000	1,092	169,092	40,058,000	21,356,273	61,414,273
2023/2024			-	41,800,000	19,627,850	61,427,850
2024/2025			-	43,925,000	17,698,050	61,623,050
2025/2026			-	46,170,000	15,670,100	61,840,100
2026/2027			-	39,380,000	13,538,300	52,918,300
2027/2028			-	27,525,000	11,754,700	39,279,700
2028/2029			-	28,915,000	10,573,150	39,488,150
2029/2030			-	30,335,000	9,349,275	39,684,275
2030/2031			-	31,825,000	8,065,413	39,890,413
2031/2032			-	33,405,000	6,718,413	40,123,413
2032/2033			-	24,895,000	5,304,713	30,199,713
2033/2034			-	26,130,000	4,329,150	30,459,150
2034/2035			-	27,430,000	3,283,650	30,713,650
2035/2036			-	28,800,000	2,186,050	30,986,050
2036/2037			-	10,085,000	1,033,750	11,118,750
2037/2038			-	10,590,000	529,500	11,119,500
<b>Total Out- standing</b>	<b>\$ 2,184,000</b>	<b>\$ 184,548</b>	<b>\$ 2,368,548</b>	<b>\$ 860,499,000</b>	<b>\$ 525,160,394</b>	<b>\$ 1,385,659,394</b>