

BOULDER CITY BALLOT QUESTION NO. 3

**City of Boulder City
An Advisory Question**

Do the people of Boulder City approve the refunding and/or refinancing of the City’s share of the Southern Nevada Water Authority (SNWA) debt obligation for the “third straw,” if an opportune financial situation should arise?

Yes

No

EXPLANATION

In the past, the Boulder City Council has been able, simply by resolution of the Council, to take advantage of dynamic changes in the bond market in order to refund or refinance such debt obligations and obtain better interest rates. At the general election held in November of 2010, the voters of Boulder City approved an ordinance by initiative which requires that all new debt obligations of the City of \$1 million or more must first be approved by the voters. This question is presented to the voters in response to that change in Boulder City law.

A “YES” vote would allow the City to refinance its share of the SNWA “third straw” debt obligation if an opportune financial situation should arise.

A “NO” vote would not allow the City to refinance its share of the SNWA “third straw” debt obligation if an opportune financial situation should arise.

ARGUMENT FOR PASSAGE

The City’s ability to reduce long-term debt through refinancing at the right time makes fiscal sense. In late 2010, the bond market was favorable to refinance debt to the Southern Nevada Water Authority (SNWA) for the “third straw” and would have saved the City several million dollars over the life of the debt. The Committee’s opinion is that the combination of the volatility of the bond market during the time of investigating the possibilities and the new debt limit initiative caused that savings to disappear.

A successful “YES” vote at this time will satisfy the ordinance requiring a vote of the citizens to approve all new debt of at least \$1 million. By giving approval at this time, the City will be in a better position to move forward on refinancing this specific debt when market conditions are favorable and merit refinancing the debt. A successful “YES” vote on this question will remain in effect when such a time comes that the bond market conditions make sense to consider refinancing the debt.

Reducing long term debt improves the City’s overall financial condition and has a positive impact on City funds. Having the ability to take advantage of favorable market conditions makes sense. Voting “YES” will ensure the City can act when the time is right.

REBUTTAL TO ARGUMENT FOR PASSAGE

The legality of the initiative ordinance that restricts the City's ability to incur new debt of \$1 million without voter approval has not been determined at this time. If the court determines the initiative ordinance is legally valid, the City should not restrict itself to refinancing only the SNWA debt. If the ordinance is determined legally valid, the next reasonable step would be to seek voter approval to refinance *any and all* City debt if the market was favorable.

The window of opportunity to refinance the SNWA debt is currently closed. The City should propose to refinance *any* debt if the market is favorable. It does not make sense to propose questions to voters one at a time to refinance debt. The City should have the ability to act immediately to refinance any and all debt in order to reduce the term of the debts and obtain lower interest rates. However, the first step is to wait for a court decision to determine if the City is required to seek voter approval to do so.

Vote "NO" on Question No. 3

Submitted by the City Clerk as provided for in NRS 295.217

ARGUMENT AGAINST PASSAGE

Vote "NO" on Question No. 3.

The legality of the debt limit ordinance has not been determined; therefore, this ballot question is premature.

Even if the debt limit ordinance is determined legally valid, the question proposed should not be limited to refinancing the SNWA debt obligation. It should have been written to allow the City Council the ability to refinance *any* City debt and respond in a timely manner to favorable market conditions if an opportune time should arise to reduce the City's debt.

Vote "NO" on Question No. 3 because it does not include the opportunity to refinance other City debt obligations. Also, a formal legal decision has not been made on the initiative ordinance regarding the City's ability to incur new debt obligations.

Submitted by the City Clerk as provided for in NRS 295.217

REBUTTAL TO ARGUMENT AGAINST PASSAGE

It is the opinion of this committee that by placing this advisory question on the ballot, the City acknowledges the possibility courts could determine the new debt limit ordinance legally valid. In a letter dated October 18, 2010, the City's bond counsel expressed they were not firmly convinced that the Nevada Supreme Court would not characterize the bonds as a new debt obligation. Voting "NO" on this ballot question will further delay the City's opportunity to refinance this debt at more favorable terms.

Regardless of the argument against passage of this question based upon other refinancing opportunities for the City, approval for this debt refinance alone is imperative if the City is to take advantage of future favorable conditions in a timely manner. Passage of this question does not increase the City's debt; passage of the question simply allows the City to refinance existing debt to the Southern Nevada Water Authority (SNWA).

Submitted by Ballot Question Committee as provided for in NRS 295.217

FISCAL NOTE

Description of Anticipated Financial Effect: This question does not require any expense that will require the levy or imposition of a new tax or fee or the increase of an existing tax or fee.