***This is a good summary by the RGJ that verifies much of what we say including that Reno has no extra cash. What it fails to address is those shoes waiting to drop that will put us over the brink including but not limited to: Bonds being called due (Aug 2015), Loss of Safety 88 or Fire R3 ballot money ($14 million), $8 million possibly owed to the county & $1.4 yearly and not budgeted, other unknown shoes lurking out there waiting, blips outside Reno affecting our economy that we have no control over (i.e. Calif Carbon Tax AB32). Add those any insolvency could be inevitable and a major tax increase looming soon.**

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## Five Reasons You Should Be Concerned About Reno's Finances
## By Anjeanette Damon; 8:29 p.m. PDT September 26, 2014
## Reno Gazette Journal

Last month, when the Reno City Council voted to sell off a piece of land at a loss to rescue one of its bonds from default, more than one council member said their motivation to back the deal was driven by the desire to keep Reno from becoming "a Detroit," which filed for bankruptcy last year.

Reno may not be on the brink of insolvency, but it is facing some pretty significant financial challenges, not the least of which is the fact its overall debt load is nearly nine times what it was 15 years ago.

Here are five things that should concern you about the city of Reno's finances.

1. Reno is literally cash strapped
In Nevada, cities aren't allowed to run a deficit.

Each year, the money budgeted to go out must equal the money budgeted to go in. Cities also are required to keep enough cash in their bank account each month to cover monthly expenses.

For Reno, that last part is sometimes difficult.

Last week, the Reno Gazette-Journal asked if the city had spent the $7.5 million is received from the Regional Transportation Commission for the Rosewood Lakes Golf Course land it needs for the Southeast Connector. The cash had been deposited in Reno's general fund two years ago and the newspaper was curious if the money was still there.

"Yeah, it's there," Finance Director Robert Chisel said. "Without it, I'm negative cash."

Reno's cash flow is so tight that if the city hadn't had that $7.5 million padding, its bank account would've been in the red nine times over the past two years. In fact, even with that $7.5 million, the city's bank account sank to just about zero in August 2012.

That's something to keep in mind as the council considers whether to close the golf course and spend that $7.5 million.

2. Reno is leveraged to the hilt

Remember when the housing market was flying high and it seemed like a good idea to refinance your mortgage and take some cash out for a boat, or a trip to Hawaii, or some new furniture? Now the payments on that debt probably take up a big chunk of your income and you've got little left each month to spend on something fun or save for a rainy day.

That's pretty much where Reno is now.

In 1999, Reno had $64 million in total debt. Today, the city has $563 million in debt.
In the mid-2000s, the city spent a lot of money, issuing new bonds and refunding old bonds to take out some cash. The City Council built a train trench, helped casinos build an events center, gussied up downtown with various projects, fixed up the National Bowling Stadium.

Much of the debt — $339 million —is from revenue bonds. That means a specific revenue source is dedicated to pay off the bonds and the city's general fund is protected. But that doesn't mean there's no risk. Default on one of those bonds would kill the city's credit rating, making it more difficult and expensive to borrow money.

In part because of the debt, the city now has little money to spend on anything else — copiers, golf carts, parking meters, the last $900,000 needed to build a new fire station. All of it has had to be financed recently.

3. Train trench bonds are a house of cards

A decade ago, the city put together an intricate funding package to finance the construction of the downtown train trench — leveraging money from room taxes, special assessments, property leases and a countywide 1/8-cent sales tax.

But it got into trouble with the biggest chunk of that debt when city leaders were convinced to reissue the sales tax revenue bonds in a risky market that ultimately collapsed. It was forced to refinance the debt a second time in 2008, and that's where the house of cards comes in.

Under the refinancing deal, the 1/8-cent sales tax goes to pay off a senior lien held by the Bank of New York Mellon on $137 million of debt. Then, the city is supposed to pay a subordinate lien to Goldman Sachs on $47 million of debt. But it's not collecting enough sales tax revenue to pay both.

The city is in forbearance on the Goldman Sachs bonds, making no payment on that debt at all. It is also in litigation with Goldman Sachs over how it got into the deal in the first place.

If the city defaults on the subordinate debt, "the whole thing collapses," Chisel said.

The danger of default? All the revenue from that 1/8-cent sales tax could wind up in the Bank of New York's coffers in perpetuity.

4. Reno's not socking money away to pay retirement benefits

Of all of the city's financial challenges, this one is probably the most politically contentious.

According to the city's latest actuarial report, its unfunded liability for retirement health care benefits owed its employees is $210 million. To keep that from growing, the city should be putting $8.3 million a year in a trust fund. To catch up with the liability, it should be putting away $17.6 million a year.

Of course, the city has no trust fund and is making no payments toward it. Instead, it's on a pay-as-you-go plan, with the cost to provide those benefits continuing to increase.

To relieve the city of the burgeoning liability, city leaders want to stop offering retirement health benefits to new hires. The labor unions don't like that deal and the two sides are set to face off on it this year.

5. Reno's not socking money away to pay workers compensation benefits either

Chisel reports Reno has a $38 million unfunded workers compensation liability.

The biggest driver of that cost, he said, is the fact Nevada is a "presumptive heart and lung" state.
That means that state law recognizes that police officers and firefighters have an increased risk for certain heart and lung diseases because of the nature of their work. Therefore, if they come down with any of those conditions, even after they leave employment, workers compensation will pay for the treatment.