



CITY MANAGER

February 5, 2002

Guy Hobbs, Chairman
Governor's Task Force on Tax Policy in Nevada
Legislative Counsel Bureau
401 South Carson Street
Carson City, Nevada 89701-4747

Dear Mr. Hobbs:

The City of Sparks appreciates the opportunity to have input into the important work that you and the members of the Governor's Task Force are doing. The Task Force is faced with a daunting challenge to be sure. Sparks is all too familiar with the long-term structural deficit that we ourselves are facing.

Our city has awakened in the dawn of a new century to the challenges of a fast-growing city in the fastest growing state. Sparks has spent considerable time and effort in planning for the next 20-30 years, when it is anticipated that the city will double in size. As part of this effort, the city has paid for a comprehensive community resource plan to help associate the staffing and facilities needed to meet the demands for city services caused by growth. Periodic updates of the plan, along with updates of the city's master land use plan, will give Sparks a blueprint for the future. That blueprint shows us that our current and projected resources will not provide the necessary resources to meet our growing community's needs.

Of course, this wasn't news to Sparks. While we are proud of the quality services we provide to our citizens, we recognize the cost of retaining a dedicated workforce and maintaining our facilities and infrastructure. The city has one tax override in place, a 1987 initiative that currently provides \$1.6 million for public safety. The City Council has imposed the maximum property tax operating rate allowed by state law. Surveys of Sparks residents indicate a high degree of satisfaction (93%) with the services we provide. However, not one of a half dozen ballot questions for general obligation bonds or tax overrides have succeeded in the past 12 years. Those failed initiatives have cost the city millions in lost resources. Worse, Sparks residents have become accustomed to excellent city services with little or no tax increase.

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We have sustained the quality of life in our community by working diligently to take every opportunity available to enhance our resources and reduce the cost of services we provide. We have created redevelopment districts, imposed development impact fees, used enterprise fund accounting for building permit and development services, and partnered with other local governments wherever efficiencies can be achieved. We have developed business plans for every department in the city. We are creating a multi-year financial forecasting tool and implementing performance-based budgeting. We seize productivity gains and cost-cutting ideas wherever they occur. We seek to attract developers of mixed use commercial/retail/residential projects to diversify our tax base. These efforts have brought some relief, but by no means, a solution.

The City of Sparks has been at the forefront of an effort to remove depreciation from the computation of assessed value. We are awaiting an opinion from the Legislative Counsel Bureau on the constitutionality of our proposal. With the assistance of the Committee on Local Government Taxes and Finance in drafting the enabling legislation, the city hopes that eliminating the erosion of property values through depreciation will help all entities, including the State of Nevada. Certainly, it would put assessed property values in a more realistic light and allow for a reduction in property tax rates.

We are also very concerned by the small increment of remaining property tax available under the current \$3.64 property tax cap. Our planning work indicates that Sparks will need to ask for additional operating tax as well as critically needed tax override votes for Police and Fire personnel in the coming years. The need for additional Police and Fire staffing has reached a critical point in our community. However, we have only 12 cents of remaining tax capacity which must be shared with other governmental agencies such as the State of Nevada, the School District, and Washoe County. Without an increase in the current cap, we will face an inability to provide essential services in our community. It is clear that our school district will need additional bond measures for middle schools within the next few years, and Washoe County will need to build criminal justice facilities that can meet the needs of our growing county. Each of these measures is essential to a healthy Sparks. We would urge your committee to carefully consider the impact the property tax cap will have on all levels of government.

We also suggest you examine the changes needed in Nevada's transportation funding to ensure we maintain our streets and roads in a cost-effective manner. As a growing state, we also need to build new infrastructure to keep Nevada moving forward. Sparks is a strong supporter of indexing Nevada's fuel tax as one method to stop the erosion of transportation funding lost to inflation each year.

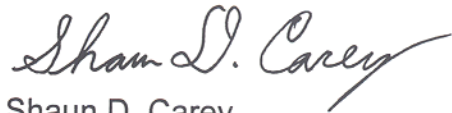
Finally, we need to explore additional revenue-generating measures that can aid local governments in creating the resources needed to make Nevada cities work. Our elected

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community leaders should be provided a wider range of decisions on sources of revenue in order to maintain essential services to our community. We have placed our local governments at a competitive disadvantage to other growing western states. This disadvantage will contribute to lost economic development opportunities, lower quality of life for residents, and increased costs to county and state governments as our basic services are the first line of defense in supporting Nevada's future. No solution can be successful for the state unless it also works for local governments. Cities and counties have lost revenue streams as a result of past legislative sessions, and very narrowly avoided losing major revenue in the 2001 session. Unfunded mandates continue to be a drain on the resources we have been able to retain.

In closing, the City of Sparks reiterates our interest in and support of the work of the Governor's Task Force. We regularly meet with our legislative delegation to keep them informed of our issues and concerns, as well as to hear their views on the challenges they face. We stand ready to provide additional information or input for your consideration.

Sincerely,



Shaun D. Carey
City Manager

SDC/S

cc: Mayor and Council
Department Managers
Neena Laxalt