

**PROPOSED REGULATION OF THE  
COMMITTEE ON LOCAL GOVERNMENT FINANCE**

**LCB File No. R028-08**

March 31, 2008

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

AUTHORITY: §1, NRS 354.107.

A REGULATION relating to local government financial administration; establishing certain requirements for the treatment of an unappropriated ending fund balance in a debt service fund of a local government; and providing other matters properly relating thereto.

**Section 1.** NAC 354.650 is hereby amended to read as follows:

354.650 1. If the ending fund balance in the general fund of a local government has been budgeted for less than 4 percent of the actual expenditures from the general fund of the local government for the previous fiscal year, the local government shall provide a written explanation to the Department that includes the reason for the low ending fund balance and the manner in which the local government plans to increase the fund balance.

2. If ~~the~~ *that portion of an* ending fund balance in a debt service fund of a local government *which is attributable to ad valorem taxes* exceeds the principal and interest ~~of~~ *payable from* the fund *which is attributable to ad valorem taxes* for the *ensuing* year, the local government shall provide a written explanation to the Department that includes the reason and any authority for the excess. *Except as otherwise provided in subsections 4 and 5, and subject to the provisions of subsection 3, upon a finding that there is no authority for the excess, the Department shall require the local government to reduce the debt rate.*

3. *A local government may propose to the Department a plan to reduce the debt rate over a period not to exceed 3 years. The Department may consider the plan and require the local government to reduce the debt rate in phases.*

4. *The Department may exempt a local government from the requirement to reduce the debt rate pursuant to subsection 2 if the local government demonstrates to the satisfaction of the Department:*

*(a) That at least one of the following conditions exist:*

*(1) The estimated annual ad valorem tax revenues are not sufficient to pay the scheduled principal and interest of current outstanding and proposed bonds;*

*(2) Projects to be financed by bonds are delayed for a reasonable cause; or*

*(3) A temporary increase in assessed values caused an increase in ad valorem tax revenues; and*

*(b) A need to issue bonds during the subsequent 3 years which:*

*(1) Would be used to finance projects included in the 5-year capital improvement plan and debt management policy of the local government; and*

*(2) Would reduce that portion of the ending fund balance in a debt service fund that is attributable to ad valorem taxes to a level that would not require the local government to provide a written explanation to the Department pursuant to subsection 2.*

5. *The Department may exempt a local government pursuant to subsection 4:*

*(a) Only for the period during which the local government has voter authorization for the debt; and*

*(b) For a period specified by the Department which does not exceed 3 years.*

*6. The provisions of this section do not authorize the imposition of a tax rate in excess of an applicable tax rate authorized by a ballot question.*