

**Minutes of the Meeting of the
Legislative Committee to Study the
Distribution among Local Governments of Revenue
From State and Local Taxes, NRS 218.5388 to 218.53886, inclusive (S.B. 253)
January 21, 1999
Carson City, Nevada**

The ninth meeting of the S.B. 253 Committee was called to order by Senator Ann O'Connell, Chairman, on Thursday, January 21, 1999, at 8:20 a.m., in Room 4100 of the Legislative Building, Carson City, Nevada.

COMMITTEE MEMBERS PRESENT:

Senator Ann O'Connell, Chairman
Senator Mike McGinness
Senator Jon C. Porter
Assemblyman Bob Price
Assemblywoman Vivian L. Freeman
Assemblyman P. M. Roy Neighbors

COMMITTEE MEMBERS ABSENT:

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Senator John B (Jack) Regan
Assemblywoman Joan A. Lambert

ADVISORY COMMITTEE MEMBERS PRESENT:

Michael Alastuey, Clark County
Gary Cordes, City of Fallon
Mary Henderson, Washoe County
Marvin Leavitt, City of Las Vegas
Rick Kester, Douglas County School District
Janet Murphy, (Designee) Tahoe-Douglas District
Michael Pitlock, Department of Taxation
Linda Ritter, City of Elko
Terri Thomas, City of Sparks
Mary Walker, Carson City

ADVISORY COMMITTEE MEMBERS ABSENT:

Guy Hobbs, Hobbs, Ong & Associates_

LCB STAFF PRESENT:

Kevin Welsh, Deputy Fiscal Analyst, Fiscal Analysis Division
Ted Zuend, Deputy Fiscal Analyst, Fiscal Analysis Division
Kim M. Guinasso, Principal Deputy Legislative Counsel, Legal Division
Eileen O'Grady, Principal Deputy Legislative Counsel, Legal Division
Juliann Jensen, Senior Research Analyst, Research Division
Jeanne Peyton, Secretary, Fiscal Analysis Division

OTHERS PRESENT:

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Lisa K. Huffman, Nevada League of Cities
John Pappageorge, Nevada Power

Ronald Damala, Eureka County
Pete Goicoechea, Eureka County
Bernie Curtis, Douglas County
Linda Galli, Sierra Pacific Power Co.
Kelly Kite, Douglas County
Jack Moore, Department of Taxation
Carl B. Shrider, Esmeralda County
Bob Milz, Lyon County Commissioner
Richard Bacus, Director, Storey County Public Works
Stephen Snyder, Lyon County
John Slaughter, Washoe County
Brett Reed, Douglas County
Brent Hutchings, City of Ely
Jack D. Smith, Mayor, City of Ely
John Whitaker, Nevada Department of Transportation (NDOT)
John Milton, Humboldt County
Tom Grady, Nevada League of Cities
Cheryl Lyngar, Lander County
Peter Krueger, Nevada Petroleum Marketers and Convenience Store Association
Greg Weyland, Department of Taxation
Barbara Leonard, City of Ely
Kevin Kirkeby, White Pine County
Geneva Neuhauser, Nye County
Jerry McKnight, Nye County
Theresa Glazner, Department of Taxation
Dino DiCianno, Department of Taxation
Harriet Ealey, Esmeralda County Commissioner
Bruce Brooks, Humboldt County
Rose Glen Group, City of Sparks
Walt Vodrazka, University of Nevada, Las Vegas (UNLV)/Transportation Research Center (TRC)
Dr. Shashi Nambisan, UNLV/TRC
Richard Wilkie, Southern Nevada Water Authority
Don Miner, Douglas County
Dan Frehner, Lincoln County Commissioner
Russ Law, NDOT
Janelle Kraft, City of Las Vegas
Bob Nunes, Douglas County
Lisa Gianoli, Washoe County
Erik Reed, UNLV/TRC
Virginia Rose, City of Lovelock
Darlene Moura, Pershing County
Donna Giles, Pershing County
Marilou Walling, Storey County
Steve Muniz, Storey County
Alan Hoodale, Churchill County
L. Keith Durham, City of West Wendover
Chris Moyle, TMSG
Vince Illia, TMSG
Cheryl Noriega, White Pine County
Georgi Cody, Nevada Motor Transport Authority (NMTA)
Daryl Capurro, NMTA
Stephanie Licht, Elko County
Cash Minor, Elko County
Daniel Grimmer of Representing Congressman Jim Gibbons

Misty Grimmer, Ostrosky and Associates
Colleen Wilson-Pappa, Clark County
Warren Hardy, Representing various organizations
Steven Horsford
Al Walker
Alan Kalt, Churchill County
Lisa Sadow, Finance Director, City of Reno
Denice Miller, Governor's Office
Carole Vilardo, Nevada Taxpayers Association
Stephanie Tyler, Nevada Bell
Dean H. Judson, State Demographer's Office
Walter Sanders, West Wendover
Dan O'Brien, Lyon County
Viola A. Kennison, WRPT, Schurz
Betsy Fretwell, City of Henderson
Susan Miller, Sierra Pacific Power Company
Dick Carver, Nye County Commissioner
Sue Smith, City of Wells
Chuck, Rigel, Mayor, City of Wells
Charles Brown, City of Mesquite
Neena Laxalt, City of Sparks
Dudley Lowery, The Campbell Co.
Tim Smith, Tahoe-Douglas Fire
Bruce Van Cleemput, Tahoe-Douglas Fire
Cheryl Blomstrom, Association of General Contractors
Penny Brock, Reno
Sharron Angle
Lynne Rurgamer, Ely
Yvonne Atkinson-Gates, Clark County
Michelle Gamble, Nevada Association of Counties
Michelle Gordon, Regional Transportation Commission
Ed Wilson, NDOT
Anthony Lesperance, Elko County
Gary Bacock, Town of Fernley
Warren Ambiance, Local Government Finance/Taxation
Gordon Hella, Local Government Financial/Taxation
Jim Regan, Churchill County
Joseph Rufo, Skyland GID

Exhibits

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- Exhibit A: Meeting Notice and Agenda
- Exhibit B: Attendance Record
- Exhibit C: Draft Report: Task C, Information and Data Gathering on the Cost of Maintaining Highways, Roads and Streets, submitted by Shashi Nambisan, Ph.D.
- Exhibit D: Draft Report: Task B, Information and Data Gathering on Policies, Practices and procedures used in the Maintenance of Roadways in the State of Nevada, submitted by Shashi Nambisan, Ph.D.
- Exhibit E: Information on California Proposition #5, submitted by Ted Zuend, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau.
- Exhibit F: Resolution No. 99-01 – Resolution Declaring Nye County's Policy Regarding Public Roads, submitted by Dick Carver, Chairman, Nye County Board of Commissioners.
- Exhibit G: Selected Findings from the Report of the Legislative Commission's Subcommittee to Study Reconfiguring the Structure of Nevada's School Districts, submitted by Senator Jon C. Porter, Chairman.
- Exhibit H: Local Governments Response to Economic Downturn, submitted by Clark County.

- Exhibit I: Assessment and Taxation of Net Proceeds of Minerals, submitted by Linda Ritter, City Manager, City of Elko.
- Exhibit J: Nevada Billion Dollar Highway Superproject Program, submitted by Tom Stephens, Director, Nevada's Department of Transportation.
- Exhibit K: Survey of Local Government Fiscal Condition – Nevada Cities, dated January 21, 1999.
- Exhibit L: City of Reno, Financial Strategic Plan, June 1998, presented by Lisa Sadow, Finance Director, City of Reno.
- Exhibit M: Testimony by Charles Myers, City of Elko, Board of Commissioners, presented by Linda Ritter, City Manager.
- Exhibit N: Titled "Exhibit – 7, A brief narrative of critical (unique) issues which will affect the fiscal condition of the District," submitted by Ron Kruse, Indian Hills GID.

CALL TO ORDER

Chairman O'Connell called the meeting to order and roll was called.

**APPROVAL OF THE MINUTES FROM THE
OCTOBER 22, 1998, AND NOVEMBER 12, 1998, MEETINGS**

SENATOR PORTER MOVED TO APPROVE THE MINUTES FROM THE OCTOBER 22, 1999, AND NOVEMBER 12, 1999, COMMITTEE MEETINGS. ASSEMBLYWOMAN FREEMAN SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

**STATUS REPORT FROM THE SUBCOMMITTEE TO STUDY COST OF MAINTAINING ROADS,
STREETS, AND HIGHWAYS
SHASHI SATHISAN NAMBISAN, PH.D.**

Chairman O'Connell informed the Committee that the definitions presented in the following report by Dr. Nambisan of the University of Nevada, Las Vegas, Transportation Research Center (UNLV/TRC), will require Committee approval. The Chairman explained that before Dr. Nambisan can proceed with the next phase of the subcommittee's project and schedule hearings with each of the counties, the S.B. 253 Committee must approve the work that has been completed.

Shashi Sathisan Nambisan, Ph.D.

- Dr. Nambisan introduced Walt Vodrazka, Jr. of UNLV/TRC, and noted that Mr. Vodrazka will provide the Committee with a report of the activities of the Subcommittee to Study Cost of Maintaining Roads, Streets, and Highways since the November 12, 1999, S.B. 253 Committee meeting.

Walt Vodrazka, Jr.

- Mr. Vodrazka noted that the definitions mentioned by Chairman O'Connell were discussed at a meeting on December 14, 1998, where approximately 25 different entities from across the State of Nevada were in attendance and provided input. The changes to the definitions that were made at that meeting are included in the draft report of Task C (see Exhibit C).

Mr. Vodrazka requested that the Committee read the reports submitted on Tasks A and B and provide the subcommittee with any comments by February 1, 1999. He explained that the subcommittee would like to complete the reports by February 10, 1999, and have them available for approval at the next meeting of the S.B. 253 Committee.

In response to Chairman O'Connell, Mr. Vodrazka provided a brief overview of the Task C report for members of the audience. He noted that the definitions included in the report are:

- Roadway, right-of-way, pavement structure and type, roadway structure, center line mile/lane mile roadway section,

maintenance, certified mileage, maintenance management system; and

- Frequency of maintenance activity, level of maintenance, acceptable roadway conditions, and cost of maintenance.

Responding to the Chairman, Dr. Nambisan said that once the Committee's approval is given for the subcommittee to proceed, the next step would be to work with Nevada's Department of Transportation. At least two workshops would be planned (one in northern Nevada and one in southern Nevada). He explained that these workshops would be held to discuss the tools to be used by the entities to gather road inventory in a consistent manner. He noted that the subcommittee would like to schedule these workshops for sometime in February 1999. After attending the workshop, the entities would be required to collect the road inventory. He explained that the subcommittee would like the entities to provide this information to them by April 1999. The subcommittee will work with the Technical Advisory Committee (TAC) to affirm the inventory and run preliminary figures to determine how the road inventory would impact redistribution if a new formula were to be adopted by the 1999 Legislative Session.

Responding to Chairman O'Connell, Dr. Nambisan said he would work with Kevin Welsh, Deputy Fiscal Analyst, Fiscal Analysis Division, to post notification of the subcommittee's meetings. Representatives of the counties and cities will also be notified.

Chairman O'Connell asked the committee if there were any objections to giving the Subcommittee to Study Cost of Maintaining Roads, Streets, and Highways approval to proceed with its study.

Mike Alastuey

Responding to Mr. Alastuey, a member of the TAC, Dr. Nambisan said that it is the intention of the subcommittee to gather information on both standard and travel lane miles.

There being no objections from the committee, the Chairman noted that the subcommittee could proceed with its study.

According to Mr. Vodrazka the draft report of Task B (see Exhibit D) includes:

- An explanation of the policies, practices, and procedures for the maintenance of highways and roads in the counties and incorporated cities in the State of Nevada.
- Data that was received by the subcommittee and lists information that was unable to be obtained.
- The various types of pavement management systems used by the entities and the funding sources available to them.

Mr. Vodrazka noted that the draft report of Tasks B and C that were distributed today do not include the appendices because of its size. He noted that complete copies could be viewed at the office of Kevin Welsh or his office.

REPORT ON STATE EMPLOYEES' SELF-FUNDED INSURANCE PROGRAM DEBBRA KING, CPA, PROGRAM ANALYST, LEGISLATIVE COUNSEL BUREAU

Ms. King provided the Committee with an overview of the State of Nevada employee benefit health fund. She noted that in July 1997 the state health fund had approximately \$26 million in cash, which covered its reserve for incurred, but not reported claims; and an excess reserve to be used in case health care trends exceeded what was projected in the budget. On July 1, 1999, it is currently projected that the fund will have a \$15 million deficit. Therefore, the fund has spent \$41 million, in excess of what was budgeted during the current biennium.

As a result of that drastic turnaround in cash, Ms. King explained that the state will be providing a 23.7 percent increase in the state contribution for Fiscal Year 2000 and an additional 12.5 percent increase in the state contribution for FY 2001. In addition to those significant increases and state contributions, the Executive Budget recommends a \$15 million State General Fund one-shot appropriation to restore the cash balance to zero on July 1, 1999.

Continuing, Ms. King noted that a small \$3 or \$4 million highway fund appropriation is available to cover the highway fund's portion of the deficit. Considering only the 23.7 percent increase in the state contribution, the state payments for employee health care will increase approximately \$11.5 million during FY 2000.

Responding to the Chairman, Ms. King said that:

- The current monthly loss is about \$1 million per month, which means that the fund is bringing in \$1 million less than it is expending on a monthly basis. The Committee on Benefits made some changes effective November 1, 1998, which would reduce that amount slightly; and effective July 1, 1999, the state employees contributions will be increased by 23.7 percent, which will further reduce the loss, although a positive cash flow situation will not be accomplished until the state contributions increase.
- Repayment to the state is not reflected in the Executive Budget.

Responding to Senator Porter, Ms. King noted that the employee's contributions were increased by 23.7 percent on January 1, 1999, which amounts to approximately \$20 per month if the employee is covering a spouse or children; or \$40 per month if the employee is covering a spouse and children.

Senator Porter noted that Governor Guinn mentioned a \$45 million deficit in his state-of-the-state address and questioned Ms. King on his reference.

In reply, Ms. King said she did not know what the Governor was referring to. She explained that about \$30 million would be needed to make the fund whole by restoring the cash deficit and having a reasonable reserve available.

Replying to Senator Porter regarding the cause of this deficit, Ms. King explained that on July 3, 1997, the state's third party administrator (TPA) "locked its doors and left town." At this time, the state had to hire a new administrator. As a result of the unexpected ceasing of business, no bills were paid from July 1 through September 1997. Also, a small number of bills were paid from September 1997 to January 1998. In January 1998, the new TPA began processing a normal amount of payments. Because the bills were past due, the state lost its preferred provider discounts. In addition to losing the preferred provider discounts, the new TPA was unable to read the historical tapes from the state's previous TPA and it could not be interpreted who had or who had not met their deductible for the year. Therefore, the deductible was waived for all members for the year, which further contributed to the shortfall.

Continuing, Ms. King noted that the problem was not entirely caused by the TPA. In addition to the circumstances listed above, there were also additional administrative costs. The TPA's costs increased and there were additional postage charges, which cost approximately \$2 to 3 million. She further noted that the actuary has reported that the medical health care increases for 1997 were far in excess of what they had predicted during the 1997 Session, which is also adding to the deficit. The Fiscal Analysis Division does not have any figures available to support the actuary's report.

Assemblywoman Freeman thanked the Chairman for making this presentation available today. In her opinion, there was not sufficient oversight from the state. She questioned if the preferred provider contracts were still available to the state.

In reply, Ms. King noted that effective January 1, 1998, the TPA began paying 1998 claims immediately. Therefore, the discount became available. The preferred provider contracts were renegotiated and reauthorized and the "pay in 30 days or pay as billed charges" has been eliminated.

Assemblywoman Freeman asked if anyone from the Governor's Office was available in the audience to speak on behalf of the Governor. She asked if Governor Guinn had any bill drafts requests (BDRs) prepared to address the issues discussed.

Denice Miller

Ms. Miller, Senior Policy Director, Governor's Office, noted that she is not prepared to discuss this particular issue today since she thought the agenda of the meeting was covering taxation. She did note that Governor Guinn has some serious concerns about the oversight of the health insurance program and indicated that he has a plan. He is in the process of working with other officials to come up with a plan agreeable to everyone. Ms. Miller explained that the Governor's Office is not permitted to officially request BDRs until February 1, 1999.

Regarding the \$45 million amount mentioned by Senator Porter, Ms. Miller said that was not in the state-of-the-state address as written. She said that she would check into it and report back to the Committee.

REPORT ON ECONOMIC IMPACTS OF CALIFORNIA GAMING PROPOSITION NO. 5 (ECONOMIC FORUM)

Ted Zuend

Mr. Zuend, Deputy Fiscal Analyst, Legislative Counsel Bureau, provided the Committee with a report on the impacts of California's gaming Proposition No. 5 as discussed by the Economic Forum (see Exhibit E). He noted that at the October 27, 1998, meeting, the Forum asked the Technical Advisory Committee to the Forum to provide revenue estimates for the current fiscal year and for the next biennium at its next meeting which was scheduled for December 1, 1998. Mr. Zuend explained that the Technical Advisory Committee consists of seven-members, including:

1. The director of the Budget Division;
2. Two fiscal analysts from the Fiscal Analysis Division;
3. One local government representative;
4. One representative from the Department of Employment, Training and Rehabilitation;
5. The state demographer; and
6. One representative from the University and Community College System of Nevada.

Mr. Zuend informed the Committee that this group provided information regarding the impacts of California's Proposition No. 5, if approved by the voters in the General Election. He noted that, at that point in time, the polls showed the issue as losing support, but it was approved and won by a 63 to 37 percent margin. Proposition No. 5 did not change the California Constitution, which prohibits Nevada and New Jersey style gambling.

Responding to the Chairman's request to clarify the meaning of Proposition No. 5, Mr. Zuend said that the Federal Government has written certain laws regarding Indian gaming that require negotiations with each state. Proposition No. 5 would effectively legalize Indian gaming activities occurring in California and allow for expansion of those activities. Several Indian casinos located in California were allowed to operate until agreements could be made and approved by the Legislature. Proposition No. 5 is a broader expansion of the agreements already approved by the Legislature.

Mr. Zuend explained that the Economic Forum's Technical Advisory Committee met on November 20, 1998. At that meeting Russell Guindon, Gaming Control Board provided forecasts on gaming revenues from contacts within the industry; the Budget Division contacted the universities for their position on the subject and reported to the Forum; and the Fiscal Analysis Division covered information that was reported in the newspapers, along with information from the California Legislative Analyst.

Reading from a memo addressed to Steve Greathouse, Chairman of the Economic Forum, from John P. Comeaux, Chairman of the Technical Advisory Committee (Exhibit E), Mr. Zuend noted that the findings of the Technical Advisory Committee include that:

- *Proposition No. 5 will likely go through lengthy litigation. As a result, if proven constitutional in California, Nevada's gaming industry will not feel the impacts for quite some time.*
- *Another possibility is a political compromise between Indian tribes and California State officials. Under this*

scenario, the specifics of any impacts on Nevada will obviously be dependent upon the details of the compromise. The impacts, if any, will likely be less pronounced than those under Proposition No. 5. Some analysts surveyed suggest that such a compromise may also go through lengthy litigation.

- *Given these legal and political uncertainties and the fact that predicting consumer response to any expansion of gaming outlets in California is an extremely difficult exercise, estimating the dollar impact of Proposition No. 5 on Nevada is a risky undertaking.*

Mr. Zuend said that there have been lawsuits filed subsequent to Proposition No. 5. The implementation of Proposition No. 5 has been suspended pending the outcome of the litigation. He noted that another development is that California's governor has taken a more liberal position regarding expansion of Indian gaming and has requested that the attorney general reverse its stance on negotiations with Indian tribes.

Mr. Zuend noted that the packet includes various documents supporting the comments included in the letter. He mentioned a statement made by William N. Thompson, Ph.D., Chairman, Public Administration Department, UNLV, and explained that Dr. Thompson's view on Proposition No. 5 is that it might prove to be positive for Nevada by expanding the interest in gaming. Mr. Zuend explained that according to Dr. Thompson, in order to increase Nevada's gaming revenues, additional visitors must be attracted to the state by:

- Enhancing transportation routes to Nevada, including both air and rail transportation.
- Improving Interstate 15 between Las Vegas and Los Angeles.

Mr. Zuend informed the Committee that included in Exhibit C is:

- The California Legislative Analyst's analysis on Measures on the November 3, 1998, ballot.
- An article from the Reno Gazette-Journal, entitled "Calif. Indian gaming vote gives Nevada jitters," which was released about one-month before Proposition No. 5 was approved by the voters. According to this article, approximately 106 casinos existed prior to the passage of Proposition No. 5.

Mr. Zuend noted that the members of the Economic Forum thought there would be some impacts, particularly during the second year of the biennium. As a result, the revenue estimates, which were prepared by the Forum are conservative regarding gaming and sales tax, as a direct result of Proposition No. 5.

Chairman O'Connell mentioned that she and Senator Porter attended a meeting where a professor testified that he did not think southern Nevada would be affected by Proposition No. 5. She noted that the gaming industry has averaged 11 visits per year from the average California traveler in the past, but these visits dropped to seven visits per year for 1998. The gaming industry felt this was a dramatic cutback. The gambling that presently exists in California is a "slot type" gaming and Proposition No. 5 broadened the definition to allow "casino type gaming."

Responding to the Chairman, Mr. Pitlock (identified earlier) mentioned that more current information than was used by the Economic Forum is now available regarding sales and use tax. In fact, the past two months of collections on sales and use tax has been consistently in excess of the Economic Forum's revised projection.

Responding to Assemblyman Price, Mr. Pitlock said that the sales and use tax figures compiled by the Department of Taxation are sent to the Governor's Office on a monthly basis.

In reply to Assemblyman Price, Mr. Zuend said that it was his understanding that California's Constitution specifically states "no Nevada or New Jersey type casinos."

Senator Porter commented that Indian gaming in Arizona has had a tremendous impact on the southeastern part of Clark County. In his opinion, the expansion of Indian gaming in Arizona could further impact these areas that are currently experiencing financial difficulties.

Mr. Zuend added that the Governor is bound by the economic forum estimates until they are revised, which may take place by May 1, 1999. He explained that the reports from the Department of Taxation could not influence the Governor's budget decisions.

In closing, Mr. Zuend noted that comments from the gaming industry insiders revealed that not only was there uncertainty raised by Proposition No. 5, but there is also concern of the massive expansion of casinos currently occurring in Las Vegas. Analysts will be reviewing the profits of the Bellagio, the Venetian, and the Mandalay Bay hotels and casinos before additional capital becomes available for further expansion of gaming in southern Nevada.

Chairman O'Connell noted that it would require another 50 airplane flights per day entering Las Vegas in order to fill every hotel and motel in the area. There is major concern about the highway entering the Laughlin area from California, which is in bad condition. The interstate entering Las Vegas from California needs to be widened. She indicated that it takes approximately 9 hours to drive from Las Vegas to California, compared to 4.5 hours in the 1960s. Therefore, before the hotel rooms in Las Vegas will be to full capacity, the major highways to the area will have to be expanded and improved.

Assemblywoman Freeman commented that it was her understanding that there is federal funding available to Nevada to expand the size of the interstate from Las Vegas to California.

Daryl Capurro

Responding to Assemblywoman Freeman, Mr. Capurro, Managing Director, Nevada Motor Transport Association, explained that the TEA 21 Federal legislation, which is the continuance of the Federal Highway Trust Fund provides some funding to expand the interstate in question. It is his understanding that the funding will be available during the upcoming fiscal year. In Mr. Capurro's opinion, there will be sizeable engineering involved; therefore, it is questionable if the interstate expansion will be completed within the next couple of years.

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MODIFICATION OF LANGUAGE OF SENATE BILL 254 (69TH SESSION)
DINO DICIANNO, DEPUTY DIRECTOR, DEPARTMENT OF TAXATION

Mr. DiCianno, testified stated that passage of Senate Bill 254 (Chapter 660, *Statutes of Nevada 1997*) changed the landscape associated with the distribution of revenues. He explained that one component of the equation is the estimate of the population. During 1998, the Department of Taxation revised the methods that were utilized to determine the population. The Department had two successful workshops, which were attended by a significant number of local governments, the state demographer, Dr. Dean Judson and representatives of his department. The Department provided the Committee on Local Government Finance, suggested language changes and received its approval. The Department brought that language before the Nevada Tax Commission for final adoption.

Continuing, he explained that the Department wanted the change in methodology in order to place all the entities on a level playing field (see Exhibit A, tab VI). On behalf of the Department of Taxation, Mr. DiCianno recommended amending the language in *Nevada Revised Statutes* (NRS) 360.690, paragraph 6 to set forth that in the new methodology would be a determining factor in establishing the percentage change in growth. The suggested language change follows:

Paragraph 6, Section b – “If a new methodology in determining population is approved pursuant to NRS 360.283, the percentage change calculated in paragraph (a) of subsection 4 must be determined as if both fiscal years were based on the new methodology.”

Kim Guinasso

Ms. Guinasso (identified earlier), questioned if the words “both fiscal years” in the last paragraph meant “the preceding and the current fiscal year.”

Mr. DiCianno said that was correct.

Terri Thomas

Ms. Thomas (identified earlier) noted that listed in the spreadsheet in Exhibit A, Tab VI, are significant changes between the consistent methodology and the inconsistent methodology from year to year, except for Washoe County, which is the same in both instances.

Mr. DiCianno explained that this is the reason why the Department is requesting that the language in S.B. 254 be amended. The agreements the Department had with the state demographer, Washoe County representatives, and the cities was that the new methodology would be utilized that was incorporated into the regulation this past year. If this method was used there would be no difference between prior years and the current year. Continuing, he noted that if the new methodology is used on the prior year's calculation for population, it will result in a consistent comparison.

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Jerry McKnight

Mr. McKnight, Nye County questioned whether or not the changes in the methodology would impact the ability of local governments to come to a consensus population number within a group.

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Marvin Leavitt

Mr. Leavitt (identified earlier) responded that the revision to NRS 360.350 will not change anything other than the way the computation is made and will provide a more consistent methodology. Under the new distribution formula, the important consideration is the change in population, not the total population. Therefore, if the change is computed based on an inconsistent method between the two years, it will lose meaning.

Mr. McKnight concurred with Mr. Leavitt that if the methodology changed, the base from which calculations are made must also be modified.

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Mr. DiCianno added that there is flexibility within the regulations to look at other methods of calculating the estimate. Also, there is a provision allowing the local entities to appeal any of the calculations submitted by the Department.

Mr. Leavitt also indicated that if it was agreed upon, the entities could devise a formula that fit their own individual county.

Chairman O'Connell informed the Committee that there is a current BDR to which the language addressed by Mr. DiCianno could be added. Since there was no objection from the Committee members, the Chairman instructed Ms. Guinasso to add the language changes to S.B. 254 submitted by the Department of Taxation to the existing BDR.

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**REPORT ON FEDERAL AND STATE REGULATIONS REGARDING
THE MINING INDUSTRY NEVADA MINING ASSOCIATION AND
DICK CARVER, NYE COUNTY**

Dick Carver

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Mr. Carver, Chairman, Nye County Board of Commissioner informed the Committee that the major problem in Nye County is 93 percent of its land is managed by Federal agencies. When he was elected 10 years ago, one of his goals was to build a new courthouse, and with the help of Geneva Neuhauser, Budget Officer, this has been accomplished. He further thanked the members of the Legislature and the voters of the State of Nevada for changing the *Nevada Constitution*, to allow Nye County to hold district court hearings outside the county seat because a second courthouse is

now being built in Pahrump, Nevada.

Mr. Carver said that he would like to meet with Federal agencies to try to resolve issues. He informed the Committee that whenever a constituent has a problem, it ends up in court and even though the court rules in favor of the constituent, the Federal agencies continue to rule long distance as they have done in the past. If those residents did not have to go to court, those extra funds could be spent in the community.

According to Mr. Carver, Nye County has to deal with six different Bureau of Land Management (BLM) offices and four Forest Service offices; and the main issue of concern is how the laws and regulations are interpreted differently by each individual office.

In 1993 and 1994, Nye County took on an aggressive action against the Federal agencies, which was very successful. It resulted in a lawsuit called U.S. vs. Nye County. Although Nye County lost the suit, in Mr. Carver's opinion, Nye County won in many ways. He explained that Nye County has been successful in:

- Negotiating a tri-party agreement, whereas Nye County has obtained a cooperating agency status and has a contract with the Federal agencies to resolve issues at the local level.
- Developing protocols to resolve issues.
- Developing a tri-county agreement between BLM and Lincoln, Nye, and White Pine counties. The Forest Service has also been brought into the group and the Fish and Wildlife Service may also be included in the near future. This agreement has been developed so that issues can be discussed and resolved at the local level.

Responding to Chairman O'Connell, Mr. Carver said that regarding grazing management, one Nye County rancher has been to court 34 times with Federal agencies and has been successful every time. Recently, a local rancher was about to go forward with another lawsuit and the BLM contacted the Nye County Board of Commissioners to request that the county mitigate the issue, which it is presently in the process of handling.

The Chairman suggested that Mr. Carver share the information he has available with Eureka, Humboldt, Lander, Lincoln, and White Pine Counties.

Continuing, Mr. Carver said that Nye County:

- Is in the process of developing an agreement with Esmeralda and Eureka Counties and would also like to develop and agreement between Nye and Clark counties.
- Was approved to create a Nye County Natural Resource and Federal Facilities Office, which consists of a professional employee to work with the county's constituents and the Federal agencies to resolve any problems.
- Has developed a new resolution declaring Nye County's policy regarding public roads (see Exhibit F), whereby the county outlines the definition of a roadway.

Proceeding with his presentation, Mr. Carver displayed a map, which was developed by Nye County, and illustrates approximately 70 percent of the county roads. He noted that the secondary and minor county roads will be added to the map in different colors. According to Mr. Carver, Nye County's goal is to protect its tax base and stop the Federal agencies from locking public land users from the property rights that they have.

In closing, Mr. Carver noted that another issue that Nye County will address in the future is preexisting grazing rights that were in existence prior to 1932, when the Taylor Grazing Act was implemented.

Tim Crowley

Mr. Crowley, Nevada Mining Association, noted that mining is the most heavily regulated industry and is subject to

many state and federal regulations. He explained that these requirements are designed primarily for the protection of air, water, wildlife and land reclamation, as well as for the safety of the workers and the communities. At least 18 permits are required before mining can take place on public land.

Continuing, he noted that federal permitting, which usually begins with the National Environmental Protection Act (NEPA) has taken some mines up to 4 years to complete. The cost of regulatory compliance for a significant mining operation can be several million dollars and up.

Responding to the Chairman regarding the negative effects the delays in permitting to a copper mine in Ely, Nevada, caused the community, Mr. Crowley indicated that when mining companies list their concerns regarding exploration of minerals, at the top of the list is the uncertainty of how long it may take to obtain the necessary permits to begin mining.

Mr. Crowley clarified that even with the lengthy permitting process, Nevada remains one of the best places in North America to explore for and develop minerals. Nevada offers the most important components, which are favorable geology, a reasonable regulatory structure, and an equitable tax environment. He mentioned that The Frazier Institute, a Canadian organization recently ranked Nevada as the most favorable area for exploration investment in North America.

Continuing, Mr. Crowley said that the price of metals is down at present and the mining industry is struggling to contain costs. As stated by the president of the National Mining Association, mining companies have no control over the value of the minerals they extract. They can control their costs and the decision on where to mine. Nevada is competing for exploration funding with Australia, Indonesia, Chili, and other mineralized areas throughout the world. Through the Nevada Mining Association (NMA) committee process, all regulations of the state and federal government are thoroughly reviewed. The NMA has environmental, public lands, health and safety committees, along with other committees that are constantly working on these issues. The members of the committees are among the best and brightest in the country in their respective areas.

In closing, Mr. Crowley said that the NMA is fortunate to have the resources to work and maintain the favorable business environment that exists in Nevada. The mining industry will continue to work with regulators to adopt any changes to reasonably improve the environment, worker conditions and community protection. In his opinion, the NMA member companies run environmentally responsible, safe operations; and the existing level of regulation is sufficient.

The Chairman asked Mr. Crowley if there were any issues with which the state could help the mining industry.

Responding, Mr. Crowley said that there are several pending regulatory issues, but presently the NMA has a good working relationship with the state and its regulators.

He explained that the NMA has worked closely with Senator Richard Bryan and Senator Harry Reid on the rewrite of the 3809 Federal surface management regulations that relate to the BLM. He said that the NMA is fearful that the Federal Government will duplicate Nevada's regulations, which could be costly to the state.

REPORT ON SCHOOL DISTRICTS – SENATOR JON C. PORTER

Senator Porter, Chairman of the Legislative Subcommittee to Study Reconfiguring the Structure of Nevada School Districts in the State of Nevada during the 1995-1996 interim, read from prepared testimony (see Exhibit G). Senator Porter said that the appraisal criteria used for appraising proposed changes in school district boundaries included:

- Educational effectiveness;
- Racial and ethnic composition;
- Organization scale;

- Governmental responsiveness and community of interest; and
- Financing and facilities.

Senator Porter explained that each of these items were critical throughout the process of reviewing changes to the boundary lines. A consulting firm described a number of changes that were likely to occur if changes to the district boundaries were made. These considerations included:

- Employee Assignment – How employees are assigned when districts split; how tenure may affect assignment; the treatment of the old district’s central office employees; selections of new school boards and superintendents.
- Salaries, Benefits, and Employee Rights – How a district consolidation or split would affect existing salary schedules; employment rights; accrued sick leave and retirement credit; and health care benefits, among other important topics.
- Layoffs – A mechanism would be needed to specify procedures in districts that combine when fewer teachers or administrators are needed.
- Government Boards – The process for selecting governing boards to begin planning for the new district would need to be specified.
- Operating Revenue – The effect of the change upon the Nevada Plan would need to be examined. Although the Nevada Plan provides for adequate district operating funds through its equalization formula, a change in district boundaries, under current law, could affect the amount the state is obligated to pay to a proposed district.
- Bonded Indebtedness – The distribution of bonded indebtedness following the consolidation of two districts or subdivision of a district is important to both the taxpayer and the district administration. How this is to be done needs to be spelled out; mechanisms for mediating differences should be established; the disposition of unsold bonds should be specified; and the “hold harmless” principle needs to be in place.
- Division of Property – Division of assets must be addressed in any reorganization process. Such agreements and the mechanism for resolving disputes should be in place prior to any realignment.
- Transition – Statutory language should be adopted to cover the items previously listed, with a transition period specified in the law. A planning process and a method of resolving disputes should also be specified. In addition, a new district should provide satisfactory evidence that it is ready to begin operating.

Continuing, Senator Porter explained additional findings specifically related to Clark and Nye Counties:

- Clark County School District Realignment – Various alternative district boundary configurations were attempted by the consultant and it was reported to the subcommittee that it was not possible to form school districts of optimum enrollment size while equalizing financing, without also creating districts with sizeable minority populations. Conversely, when the boundaries were drawn to avoid creating majority/minority districts, great disparities in relative wealth were created within the proposed districts. The conclusion drawn by the consultant was that, without some mechanism to equalize school district wealth for school construction purposes, any proposed change to district boundaries would result in similar demographic or fiscal inequities. Additionally, the current method of collecting and distributing per-pupil funding under the Nevada Plan would need to continue at the county level. Technical solutions to the problems associated with boundary changes are further complicated by the continuing pattern of explosive growth in Clark County. Extremes occur in the urban areas of the county, along with the related decisions to build larger schools to accommodate the growth. The consultants suggested that the district implement alternative approaches designed to increase responsiveness, or that one or two smaller districts first be attempted.
- Nye County District Deconsolidation – There may be some advantages in dividing the existing district into northern and southern districts. District residents appear to support two districts, with Tonopah forming the headquarters for the northern portion and Pahrump forming the southern district. Losses to Tonopah in assessed

valuation from the region around Pahrump would possibly be offset by the reduction in future debt incurred to fund expected growth in the Pahrump area.

Policy Issues with Statewide or Legislative Implications – According to the testimony of the consultant and other interested parties, a number of issues are directly connected with the attempts to redraw school district boundary lines. Key policy issues with statewide implications include:

- Ability of the reconfigured districts to accumulate and manage sufficient debt to finance potential construction projects;
- Effect of realignment upon the demographic makeup of the new districts; and
- Cost to the state of any realignment proposal.

Senator Porter said that the study was driven by the southern Nevada community and evolved into a statewide study. In his opinion, there are a number of groups that want to change the boundaries in southern Nevada, but these are some of the issues that would have to be addressed if it is decided to go forward with boundary line adjustments.

The Chairman added that this item was placed on the agenda today because of the concern over lost population regarding school districts. The Committee wanted to outline the information that had previously been gathered by the state. Therefore, if anyone is looking at redistricting this may be information to help get started.

Senator Porter added that it was found during the 1995-1996 interim when investigating the possibility of combining districts, specifically those with financial problems, members of those communities chose to take care of their own problems. They were not interested in combining or splitting their districts in most rural areas even though they had serious financial challenges.

Chairman O'Connell said the next item on the agenda is a presentation by Mike Alastuey of Clark County. This was put on the agenda today to acquaint the cities, counties, towns, and GIDs) with the possibilities available to them to prepare for an economic downturn, which the State of Nevada may be facing over the next 5 years.

REPORT ON LOCAL GOVERNMENT RESPONSE TO ECONOMIC DOWNTURN **MIKE ALASTUEY, CLARK COUNTY**

According to Mr. Alastuey, general prudence should prevail when approaching the possibility of an economic downturn is approached. There has been a great deal said about the diversity of economic fortune among the various local governments in Nevada. Tremendous growth that has been experienced throughout many areas of the state, but there are some sectors that have encountered great despair.

In Mr. Alastuey's opinion, there is "always light at the end of the tunnel" if an entity works hard and there are fiscal disciplines imposed. He noted that the same disciplines are familiar to those who might succeed in business or in running family finances.

Mr. Alastuey noted that when preparing for an economic downturn you may be facing short-term situations when goods and services that have been ordered may have to be returned and employees may have to be laid off on short notice. Once an entity is in an economic downturn, it has to stop spending money. He said there are a number of ways a jurisdiction can prepare for the possibility of an economic downturn, and, if an entity is prepared, it will be able to sustain operations for a longer period of time under adverse revenue consequences. As a member of the Committee on Local Government Finance, he mentioned circumstances that have existed in the past where jurisdictions (see Exhibit H):

- Have been completely out of funds and could not meet their payrolls;

- Were not able to provide services to the community;
- Could not pay for goods and service for which they were responsible;
- Had to layoff staff;
- Stopped capital projects that had been promised and totally lost public confidence; and
- Damaged their bond credit rating to the point where they could only lend money from entities that the community was already indebted too; and these entities were only trying to make the community whole again so that it could recoup their debt

In Mr. Alastuey's opinion, the following practices should be avoided:

- Do not disguise problems by overestimating revenue or understating costs. If it is known that the assessed valuation in a county has increased because of construction in a utility or centrally-assessed property, the value of which will later be distributed, this should not be estimated on a long term basis.

The Chairman explained that the reason why Mr. Alastuey was asked to do this presentation today is because of the economic downturn the state may be facing over the next several years. She noted that Mr. Alastuey's proposal could be used as a guideline to newly elected officials.

Continuing with practices to avoid when facing an economic downturn, Mr. Alastuey said that an entity should not:

- Make ongoing commitments with unpredictable revenue or one-time savings.
- Ignore the need for adequate reserves – the larger and more successful governments all have established reserve policies.
- Hire employees for projects that will end (i.e., unless an entity has an ongoing capital improvement program with no termination date, do not hire permanent staff).
- Use long-term debt for short-term assets. If you have the ability to debt finance and can do so prudently for short-term debt, make sure the bonds or securities are paid off during the useful life of the assets.
- Ignore the need for a capital budget. This applies not only for the size of your facilities and the number of facilities needed to adapt to population, but also for their condition. A form of depreciation can be set up to identify the need to replace capital.

The Chairman commented that this situation happens frequently on the state level. Many times maintenance is overlooked.

- Build facilities without the financial resources to operate them. He explained that because of the population increase in Clark County, it is building a large addition to the county detention facility. When this facility is complete, hundreds of employees will be needed, 24 hours per day. Clark County is planning for this by deferring any hires and refraining from hiring in other areas in order to build the base budgetary resource to fund this facility. In addition, to plan for management operations of this facility, the county is in the process of hiring some transitional positions that are assisting to set up the facilities by compiling lists of inventory of furniture, fixtures, and equipment.

Continuing, Mr. Alastuey explained that it is unwise to build a large structure without a repair plan, and there are statutes that provide for a certain amount to be set aside for repairs of a structure.

The Chairman mentioned a jail in Washoe County that was built and the maintenance for it was never taken into

consideration.

- Do not purchase equipment without considering a long-term replacement plan. For example: the price of a personal computer only comprises of ½ to ¼ of the price of its operation.
- Follow audit recommendations – the statutes provide that local governments shall receive independent audits.

Continuing with his presentation, Mr. Alastuey highlighted several “Practices to Adopt,” including:

- Estimating revenues and expenses conservatively. The state in certain circumstances has opted to estimate its revenues higher than necessary. It is a good practice to conduct a revenue estimate before estimating expenses. It is also wise to estimate revenues by using several different methodologies before finalizing budgets.

Chairman O’Connell added that the state budget was based on an 8 percent growth, and is approximately 2.4 percent below the estimate, which is over ¼ of the total amount.

- Avoiding budgetary increases that may be revenue driven, perform a workload measurement, gauge against population and true cost increases. For example, do not regard revenue opportunities as an obligation to taxpayers to deliver additional programs, because in a downturn the entity may not be able to sustain these programs.
- Considering budget reductions if the jurisdiction is actually declining in population.
- Providing adequate reserves through general fund balance, budget stabilization fund, and other reserve policies (i.e., capital investment process). These funds could be set aside as a general budget stabilization to be used for additional capital enhancement, buying down debt or drawing the money back into the general fund in the event of a revenue shortfall.
- Planning staff changes in advance to avoid surprise lay-offs.
- Budgeting for capital replacement as an ongoing commitment.
- Establishing charges for enterprises and internal services based on actual cost.

In addition, Mr. Alastuey said that if an entity has been in an economic downturn, it is not always possible to balance the budget immediately. Some of the steps to balancing the budget are to:

- Resolve to balance the budget within current year revenues.
- Hold positions vacant and defer new hires, reduce payroll through attrition, or consider permanently deleting vacant positions from the budget.
- Draw upon reserves only if necessary during transition to balanced budget. Replenish reserves rapidly. Do not make new commitments until reserves are restored.
- Defer new allocations for capital investment until budget is balanced within current year revenues. Resume capital investment after budget is balanced.
- Defer commitment of unencumbered capital appropriations.
- Defer annual transfers to capital projects.

In closing, Mr. Alastuey said that by using these practices, Clark County would be able to operate without substantial decreases in service for a considerable amount of time with no revenue growth.

According to Senator O'Connell, the state presently is drawing upon its reserves. There are a number of areas in the budget that may be privatized, and if that takes place, many employees will be released. She noted that to try and not impact additional state employees, the Governor's Office made the decision to use some of the reserves. Under the present circumstances, it was the best conclusion that could be made.

Continuing, she noted that the state began many new programs during 1998 that will be discontinued for the new fiscal year. She thanked Mr. Alastuey for an excellent presentation.

Senator Porter added that the State of Nevada could learn from many of the local governments. In his opinion, many local governments are doing a superb job of future planning and the state officials should work more closely with them.

**DISCUSSION AND POSSIBLE ACTION REGARDING
REVENUES FROM NET PROCEEDS OF MINERALS
NEVADA GOVERNMENT FISCAL OFFICERS ASSOCIATION**

Linda Ritter

Ms. Ritter, City Manager, City of Elko, informed the Committee that Elko County has dealt with the net proceeds of mines issue for a long period of time. The problem is using the method of assessed value that is projected into the future. Local governments are sent the projection in May of each year to place in their fiscal year budget beginning July 1. The actual proceeds are not received until later during the fiscal year. She explained that sometimes the entities are placed in the position of not receiving revenues on time and in some cases will have to pay a refund to the mining company.

Continuing she noted that it is difficult to project what will happen in the mining industry. There are many outside factors that can affect the price of gold. Elko County's goal is to use the "back to actual" system again. This allows the local government to know the amount of funds they will receive from the mining industry and prepare its budget based on that figure. About 80 percent of local governments are using a portion of the net proceeds from mines in their operating budget.

Ms. Ritter said that her proposal to the Committee addresses the immediate problem of an entity having to pay a refund for an overpayment (see Exhibit I). When a refund is due it is usually because the mining industry has had a downturn, which also affects sales tax and other revenues. Explaining her proposal, Ms. Ritter said that the first payment received by the local government in September of each year is based on the mining company's report for the period of January through June. Another payment is made in November for the next quarter and the last quarter is paid in February. She recommended:

- That the first payment of the year should be based on one-half of the first 6 months of net proceeds, instead of the full amount; and in February a final payment be made for the amount due for that calendar year.
- Moving the date when the industry makes the estimate of the net proceeds valuation to April 1, from April 30.

She recommended eliminating the use of estimated net proceeds in budgeting of local governments and return to actual collections.

Ms. Ritter informed the Committee that her proposal was given to the Nevada Government Finance Officers Association last week and to the Nevada Association of Counties (NACO), and Mr. Kester has also submitted it to the school districts. She explained that she has not received many responses yet and this may be because the proposal presents a cash flow problem, since the entities will receive only 50 percent of revenue in August rather than 100 percent.

Carole Vilardo

Ms. Vilardo, Executive Director, Nevada Taxpayers Association, informed the Committee that the mines make a payment on February 15 to the state, but the state does not pay the local governments until May.

Responding, Ms. Ritter said that the Committee might consider when the state is actually making the payment to the local governments. Regarding the cash flow situation, she noted that maybe Mr. Pitlock, Executive Director of the Department of Taxation (Department) could explain the schedule of when the net proceeds from mines are sent from the Department to the Controller and are then sent to the local governments.

Mr. DiCianno (identified earlier), explained that the actual report is due on February 15. However, by statute, the billing is not sent out until April 20 and the mining companies are not required to pay until May 10.

Mr. Crowley agreed with Ms. Ritter that a change in the reporting date is possible and may work better.

Chairman O'Connell asked if this should be included in a BDR.

Responding, Ms. Ritter said that one BDR has already been done that sets forth a mitigation fund for school districts, where only counties can apply for that at present. Ms. Guinasso has been provided the suggested language.

Ms. Guinasso said that the BDR might have been completed and informed the Committee that she would check on it.

The Chairman said that she would like to hear testimony from the counties on their opinion of Ms. Ritter's recommendations.

Pete Goicoechea

Mr. Goicoechea, Eureka County Commissioner testified that Eureka County concurs with Ms. Ritter and would like to see net proceeds shift "back to actual."

Responding to Assemblywoman Freeman, Ms. Ritter said that when the net proceeds issue was first reviewed, examination of the statutes showed a provision for a mitigation fund to be established by a county. For example, Eureka County has a mitigation fund. However, the statutes did not provide for school districts to have the fund. In Ms. Ritter's opinion, in some cases, school districts are impacted even more than counties. Therefore, the recommendation would allow school districts the opportunity to establish a mitigation fund.

Mr. Carver recommended that net proceeds from mines tax be paid directly to the county. The county would then have a better idea of what has taken place immediately. For example, a few years ago Round Mountain Gold overpaid \$1 million in net proceeds of mines tax, and if they would have demanded the county to pay the tax back, the county would have had to lay off approximately 20 employees out of 300 to make this payment.

In closing, Mr. Carver thanked Ms. Ritter for her work done on trying to develop a better system for the net proceeds of mines tax.

Regarding the issue of payments being made directly to the counties, Mr. Pitlock said that the net proceeds of mines tax is part of the centrally assessed system within the state. He explained that a significant portion of the net proceeds is revenue of the state. In his opinion, it would be inefficient to break the mine tax into 18 separate billing units (17 counties and the state).

According to Mr. Pitlock, timing of the distributions is a better solution. Improvements can be made in shortening the amount of time between when the mining industry pays the taxes to the state and they are distributed back to the local governments.

Ms. Ritter added that quarterly reports are filed with taxation, which are later submitted to the counties to review. It is her understanding that sometimes these reports are sent to the county assessors and are not sent to the budgeting staff.

The Chairman informed Kim Guinasso that she would like this added to a previous BDR. The Committee concurred.

SENATOR MCGINNESS MOVED TO APPROVE THE LANGUAGE SUBMITTED BY MS. RITTER TO CHANGE THE PAYMENT SCHEDULE REGARDING THE NET PROCEEDS OF MINES TAX TO THE COUNTIES. ASSEMBLYMAN NEIGHBORS SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

Tom Stephens, Director of Nevada's Department of Transportation arrived at the meeting. The Chairman called him to testify in response to previous questions posed by Assemblywoman Freeman.

Assemblywoman Freeman expressed the difficulty of getting people from the California area to Nevada on the current roadway. She noted that one of her constituents informed her that some of the federal money received by the state would be spent in California, and when tracking the information it was found that some of Nevada's funding would be spent on an interchange.

Tom Stephens

Responding, Mr. Stephens said that the major challenge in southern Nevada is to provide better transportation from Los Angeles to Las Vegas to increase tourism (see Exhibit J). A portion of Interstate 15 is in Nevada and can be worked on directly. This project is about ready to begin and I-15 will be widened from the I-215 McCarran Airport connector south to Lake Mead, which is about 7 miles. The goal is to have it completed before January 1, 2000. Early completion bonuses were placed on the project because of the heavy traffic during the holiday season.

Continuing, he mentioned that the exit ramps at both Primm and Jean will be lengthened; a truck climbing lane will be added at Lake Mead Drive, which is in the design stage and should be sent for bid in September 1999; and an environment impact study to complete the remainder of the widening between the Lake Mead Interchange and Barstow, California, is scheduled.

He explained that the "bottleneck" is where I-40 and I-215 (a total of 8 lanes) come together in Barstow to a 4 lane road. The 1991 Intermodal Surface Transportation Efficiency Act (ISTEA) appropriated money for the interchange between I-15 and I-40 in Barstow. Nevada donated some funding to that project in addition to the federal funding, and this project is presently under construction. He noted that this interchange should be completed in the fall of 1999. Nevada is also working with California to widen the road outside of Barstow on the way to Victorville, California, which is 29 miles of a two-lane roadway. Nevada has offered California \$10 million (from the TEA 21 bill, which was passed in June 1999) of its federal funds to use towards this project, which is estimated to cost approximately \$140 million.

Responding to Chairman O'Connell about the Laughlin, Nevada, area, Mr. Stephens said that there are 11,000 hotel rooms available in this area and the occupancy rate has decreased. Many of the tourists entering Laughlin drive from the "Needles Highway and River Road," which is the section that runs north and south on the west side of the Colorado River to the Nevada border. This is a poor roadway and there is much interest from the resorts in Laughlin to improve it. A recent study revealed that the cost to improve the 19 mile roadway is \$54 million. Mr. Stephens said that it is his understanding that California would like Nevada to provide most of the funding.

Mr. Stephen stated that Senator Porter hosted a transportation summit in Laughlin in September 1999. It was decided at this meeting to shift the county road called the Needles Highway in Nevada to the state system as State Route 162. This has been approved by the Transportation Board and is awaiting county approval. He noted that NDOT is continuing to explore this issue for the hotels in the Laughlin area. In his opinion, this is an important part of Nevada's economy, but it will also cost a great deal of money to remedy.

In closing, Mr. Stephens referred to a bar chart (see Exhibit J) which lists the unfunded needs of NDOT at \$1.2 billion over the 10-year period from 1998 to 2007. Listed in Exhibit J are the "super projects" that have been planned. He noted that projects of this size must be planned a long time in advance or they never get completed. The NDOT has

made a commitment to devote a portion of its program to large projects.

Senator Porter requested an update on the corridor through the Hoover Dam National Recreation Area.

In reply, Mr. Stephens said that the Hoover Dam project began many years ago and environmental work was done in 1991 and 1992 by the Bureau of Reclamation and the Parks Department. They got to the point where they were going to issue an environmental impact statement (EIS) and decided they would stop building roads and dams. Sometime last year, the states of Arizona and Nevada and the Federal Highway Administration (FHA) started to complete the environmental studies. Arizona and Nevada both contributed \$300,000 and the FHA contributed \$400,000. The lead agency handling the EIS is the FHA, who is working from their Denver office, which consists of a full engineering staff.

Continuing, he explained that three routes are recommendable, which are: (1) Lake Mead, just north of Hoover Dam, (2) just south of Hoover Dam, extending over the canyon, and (3) about one-mile downstream of Lake Mead. The route that may be recommended is the one just south of Hoover Dam and is called the "Sugar Loaf Route," although, environmentalists would rather see the corridor go through Laughlin, which is an extra 23 miles and also much steeper. Mr. Stephens anticipates that the final report will be issued in the spring 1999 and the "Record of Decision" sometime in the summer. Once that is complete, the design phase can begin. Mr. Stephens noted that two sources of funding totaling \$45 million are available to begin the project. Completion of the total project is estimated to cost over \$200 million.

According to Mr. Stephens, Arizona and Nevada will submit a joint application for corners and borders funding, which is part of TEA 21 funding. He explained that the road across Hoover Dam is the main road between Phoenix, Arizona, and Salt Lake City, Utah.

Responding to Assemblyman Neighbors regarding transportation to Yucca Mountain, Mr. Stephens said that one of the proposals presented to him at a past meeting was transport the nuclear waste from a point in Caliente, Nevada, to the Extraterrestrial Highway through Tonopah and Beatty to Yucca Mountain. He explained that "giant" trucks would be used that traveled only 15 miles per hour. The federal officials wanted NDOT to cooperate in widening the road, tearing buildings down in Beatty to make room for the trucks. Mr. Stephens stated that it is his understanding that the current legislative policy, is that the State of Nevada would "not be cooperative in any kind of effort to improve the roads."

REPORT OF FINANCIAL CONDITION OF NEVADA'S LOCAL GOVERNMENTS

The Chairman requested that the representatives of the counties and cities read the information on the blackboard before testifying because it was important for each entity to address those specific issues.

Clark County

Yvonne Atkinson-Gates

Ms. Atkinson-Gates, President of the Nevada Association of Counties and Commissioner of Clark County, expressed her appreciation to the Committee for the many difficult issues it deals with statewide.

She explained that each of the counties are prepared to present a brief testimony in response to the sensitivity and many challenges the state is facing; and hope that these reports will provide the Committee with a sense of the issues faced by each individual county. There are a total of 14 counties represented here today, with the exception of Carson, Esmeralda, and Mineral Counties.

It was noted that a representative from Carson City would be arriving shortly.

Continuing, Ms. Atkinson-Gates noted that the following entities would be speaking today: Clark, Elko, Humboldt, Lyon, Washoe, Douglas, Pershing, and Storey Counties. She noted that if additional information is needed, the remaining counties will also provide testimony.

According to Ms. Atkinson-Gates, some of the challenges Clark County is facing are:

- Dealing with the change from a high growth to a low growth in revenue – The county has approached this issue by providing conservative revenue projections, a policy which prevents major disruption in services.
- A new jail, courthouse, and juvenile court facility – Proper staffing must be provided to operate the facilities when they are opened. Staffing for the new facilities for the year 2001 is very challenging and must be dealt with; therefore, the county is providing transitional positions. Clark County has experienced approximately 6 percent growth in its population, but can only budget for 2 percent because of the new facilities that must be opened in the year 2001. Based upon those figures, the overall staffing need had to be reduced in order to deal with public safety demands.
- Preserving the county's favorable bond rating despite the low revenue projections for growth. The approach being used by the county is to pay for capital projects without going into debt whenever possible and to establish and maintain adequate reserves. Revenue projections are dealt with conservatively.
- Protect the public's investment in building roads and parks. About one year ago the county adopted an annual capital budget, which is funded yearly by a general fund contribution. During 1998, the Clark County Commission allocated \$2 million to maintain the county's roads.
- Avoid the temptation of unjustified increases in expenditures when revenue grows and one-time savings are achieved. A program was started in the county in 1993, which established policies that link the budget to population and the consumer price index.
- Operating within the tax rate cap – Trying to operate within this cap can be difficult when the entity has revenue shortfalls based upon projections. Clark County's approach to this has been to consider the use of the assessed valuation growth to avoid a tax rate increase.

Responding to the Chairman, Mr. Alastuey said that in the unincorporated county, the tax rate including all jurisdictions is \$2.78. Of that amount \$1.30 is allocated to schools, 15 cents to the state, and 1 ½ cents to the state indigent fund.

Continuing, Ms. Atkinson-Gates said that other challenges for Clark County are:

- To optimize the value of the tax dollar that is expended. This has been handled by considering inter-local agreements with other entities where a cost saving effect can be accomplished by sharing facilities.
- Public facility needs that exceed the dedicated revenue. The county's approach is to complete a needs assessment to develop county standards.

Clark County has not taken a position on any of the bill drafts, because the language has not been finalized as yet.

Senator Porter thanked Ms. Atkinson-Gates for her hard work as former Chairman of the Clark County Board of Commissioners and presently as a member, and for her efforts in working with the local governments of southern Nevada. In his opinion, "there is a new spirit of cooperation unlike it has ever been in southern Nevada."

The Chairman informed the Committee and members of the audience of a survey that was conducted asking the taxpayers in Clark County to note additional services they wanted and how the funds to pay for them should be collected. A Las Vegas newspaper printed the results, which showed that the taxpayers thought the gaming industry or someone else ought to pay for them.

Responding to Assemblywoman Freeman, Ms. Atkinson-Gates noted that her staff is reviewing a formula and revenue source that will be identified to pay for parks. The national standard is 4 acres for 1,000 residents. The Southern Nevada Strategic Planning Authority and the Needs Assessment Committee realized that was not a realistic calculation and would not be able to meet that standard. Therefore, a new standard was developed which allows 2 acres for every 1,000 residents. She explained that the Board of County Commissioners is in the process of evaluating its standard and meeting with the parks subcommittee to determine if this is a realistic standard. She noted that Mr. Alastuey would identify a revenue source when the standards are approved by the board.

Assemblywoman Freeman commented that in the City of Reno many of the residents have complained about the length of time it takes to collect an adequate amount of money to build a park. She explained that a bill draft has been requested to increase the tax percentage that goes towards parks.

According to Ms. Atkinson-Gates the residential construction tax in Clark County is \$500 for every home, which is actually not enough money to generate the revenue needed to deal with the public demands. Therefore, Clark County is working to identify a separate funding mechanism to take care of the shortfall.

Ms. Alastuey added that within the next few weeks, Clark County will be converging several different methodologies to estimate park needs. These methodologies include: (1) a project list that has been compiled over time by the county's parks and recreation department, (2) the parks master plan converted to acreage and cost, and (3) calculation of precise numbers relative to the impact of the findings of the Southern Nevada Strategic Planning Authority. One of the estimates pointed out by Ms. Atkinson-Gates is a \$400 million deficit.

According to Mr. Alastuey, Clark County has had a favorable relationship with its community developers and will soon be producing the most precise numbers possible and would be happy to share those figures with the legislative body. Also, Clark County's Comprehensive Planning Staff have worked out 10-year estimates by park district for a residential construction tax, all based on approved zoning and build-out schedules and absorption studies.

Responding to Assemblywoman Freeman, Ms. Atkinson-Gates noted that she also represents an older district where minimal funding is generated from the new construction tax. Therefore, only new communities are actually benefiting from those revenues. She mentioned that Clark County was able to allocate \$19 million through its capital fund during Fiscal Year 1998 toward park improvements, but this was the first time in many years that the county could do this. The money was used towards improvement and expansion of existing parks, and adding new parks.

In Ms. Atkinson-Gates' opinion, one of the disadvantages of the statutes is that they prohibit the residential construction fund to be used for parks.

Assemblywoman Freeman said that this issue should be discussed further during the 1999 Session and maybe some revisions can be made to the statutes.

Responding to the Chairman regarding unfunded mandates, Mr. Alastuey said that this issue has been reviewed by Clark County and has been calculated in the \$4 million range.

Ms. Atkinson Gates noted that every time the state hires a new judge position to Clark County, the county is mandated to provide all the ancillary services that are related to the new position, which can be costly.

In reply to Chairman O'Connell, Mr. Alastuey explained that he did not have the exact figures, but unfunded mandates relating to the courts are approximately \$100,000 for district court expenses and \$500,000 for staff in the county clerk's and prosecutors office, plus the up-front capital that is needed.

The Chairman requested that Mr. Alastuey compile more accurate figures relating to Clark County's unfunded mandates for the Committee's information. She also requested that each county that testifies address the ten items listed on the blackboard.

In reply, Mr. Alastuey said that he did not have a figure available for Clark County on collective bargaining.

The Chairman requested that Mr. Alastuey prepare these figures for the Committee and thanked him for his excellent presentation.

Churchill County

James T. Regan

Mr. Regan, Churchill County Commissioner noted that the financial situation in Churchill County is fragile, but not devastating. He noted that with the uncertain state and national economic picture, and continued state and federal demands, the county's economic situation could change. The tax rate is presently at \$2.51 of which the school districts receive \$1.37. He mentioned that the county has a jail that is non-constitutional, and the schools may also need a bond. Therefore, the tax situation is being watched closely.

The Chairman said that in Clark County the school district put out a bond issue to float for the next ten years where they froze the property tax at its present rate for schools and requested that voters prohibit the county from requesting another bond issue for the next 10 years. The voters overwhelmingly approved this issue. She suggested that Churchill County might want to consider following Clark County's model.

Alan F. Kalt

Mr. Kalt, Churchill County Controller indicated that the last school bond issue in Churchill County that went before the voters did not require an increase in the tax rates and the school district had a difficult time selling the bond issue and narrowly getting it passed. The county will be going before the Debt Management Committee seeking approval for an additional bond rate, which will require an additional tax rate. He explained that the county's assessed value is not growing fast enough (about a 4.5 percent annual growth) to obtain additional bonding capacity by freezing the rate.

Mr. Regan noted that sales tax and intergovernmental revenues continue to be the main source of Churchill County's operating revenues. However, he explained that the revenue obtained from these sources are subject to economic swings, and total about 62 percent of the county's total general fund for fiscal years 1997-1998. Mr. Regan stated that the county has taken steps to stabilize its financial condition by:

- Establishing a rainy day fund, which is about 10 percent of the general fund expenditure.
- Creating a fund for extraordinary repairs and maintenance.
- Increasing the gasoline tax to the full 9 cents.
- Imposing some of the available SCCRT tax loss override for the current fiscal year.

According to Mr. Regan, the county will be losing about \$400,000 this year from geothermal net proceeds. He also noted that the growth in assessed valuation has not offset the losses from other areas and the county has experienced a loss in centrally assessed value due to the impact of the deregulation of the electrical industry.

Mr. Regan said that Churchill County consists of over 95 percent mobile homes, and although the county does not oppose mobile housing, it could benefit from a change to the tax structure.

Mr. Regan mentioned that the county's major concern over the next few years is to maintain financial stability and the ability to afford a bond issue to finance the new jail and the Silver Springs Juvenile Treatment Facility. An additional judge position and remodeling of the courthouse will cost the county approximately \$300,000.

Continuing, he noted that the federal and state governments are not assuming their share of the escalating cost of long-term care. He explained a scenario where a family in the county was notified to come and pick up their mother from the hospital. She was only to live about 4 to 5 days and the facility had run out of all authorized expenditures from Medicare. Fortunately, she had family who took her home. If the family had not been able to do this, it would have created an unfunded mandate to the county.

Other issues of concern which create unfunded mandates to Churchill County are:

- The rising cost of employee health and accident insurance.
- Compliance with Y2K changes, which could result in liability claims if the county fails to replace the necessary computer programs.
- The reoccurring flood management and mitigation costs. Because the Bureau of Reclamation has kept the level of Lahontan Dam extremely high, every year the county has been faced with setting up emergency management to sandbag.
- The limits placed by the state on the amount that can be charged by the local governments for fines, fees and forfeitures for services.
- Regarding the Clean Water Act, the county is always facing problems with storm water runoff.

Mr. Regan mentioned Public Law 101-618, a negotiated settlement, which was introduced in 1989 and passed in 1990 relates to environment concerns. He said that the City of Fallon and Churchill County have spent about \$1.8 million fighting this law, because while protecting one community, it can disservice another. The original bill stated that there would be approximately \$3.5 to \$4 million to do a total study of the county's aquifers, which has never been done. However, other areas have received \$24 million to purchase Churchill County's water to replenish the water in the Truckee River.

He said that the county would like the support to grow, like other communities have gotten. In Mr. Regan's opinion, the water in Fallon does not belong to the federal government, but to the farmers in the community. The problem is that once the water goes into the ground it becomes the property of the State of Nevada.

In closing, Mr. Regan's said that Churchill County cannot survive without cooperation from the state, and in his opinion, the state should be in a partnership with the local governments.

Responding to the Chairman, Mr. Regan said that a one-cent increase in property tax would raise about 39,000 in funds for the county.

The Chairman also requested that Mr. Regan investigate what the cost of collective bargaining is to Churchill County. She also asked if the county was experiencing loss of population in the schools.

Responding to the Chairman, Mr. Kalt said that school enrollment has slowed down. It was increasing at about 6 percent each year, but is presently increasing at a slower pace. Mr. Kalt clarified that mobile home housing in Churchill County consists of 48 percent. He also noted that the cost of a judge is \$300,000 in Churchill County and the judicial district includes both Churchill and Lyon Counties. On a combined basis, assuming that Lyon County's costs are similar to Churchill's, there would be a total fiscal impact of \$600,000 in shared costs.

Mr. Kalt said that the impacts of Public Law 101-618 are the trust land issues. This is a large issue to the City of Fallon because the law sets forth significant impacts that could affect local governments. When a smoke shop or gas station convenience store is built, the local government does not collect any intergovernmental revenues or gas taxes associated with those facilities. If a strip mall is built to attract major retail, another even larger economic disadvantage would occur to the county.

Regarding collective bargaining, Mr. Kalt said that currently 70 percent of every dollar spent goes towards salaries and benefits, an increase from the previous fiscal year of 5 percent. He noted that the Legislature has helped out by allowing local governments to establish rainy day funds that cannot be used for collective bargaining.

For information purposes, Assemblyman Price mentioned that Churchill County consists of eight schools with the largest being the high school, and a total of about 4,500 students.

Douglas County

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Dan Holler

Dan Holler, Douglas County Manager mentioned that some of the challenges faced by Douglas County are similar to Clark County and over the past five years it has implemented some of the policies mentioned by Mr. Alastuey. In addition to the challenges mentioned by Clark County, Mr. Holler added the following for Douglas County:

- Regarding collective bargaining, it is important to build employee relationships, so that they understand the county budget and where their revenues are coming from.
- Review regional cooperative efforts within the county. It is important to work with surrounding counties. In Nevada, five counties worked together on a regional juvenile center.

He noted that Douglas County maintains relationships with the City of South Lake Tahoe, California, and Eldorado County, which allows for interstate joint agreements dealing with waste management. In Mr. Holler's opinion, more projects can be accomplished as a group since it is less expensive.

Continuing, Mr. Holler explained that Douglas County is dealing with the property tax base, the ongoing need for growth in assessed valuation, and the impact land exchanges have on property taxes. The county has lost approximately \$7.5 million in assessed value in the Tahoe Basin over the past two years between federal and state land purchases.

He requested the Committee's support with some of the S.B. 253 "clean-up language." One of the changes is to put the tax base from public lands back into the base formula, which will help the overlapping districts. A second request is to include the redevelopment agency property tax in the base to help maintain the property tax base.

Continuing, Mr. Holler said that tax base of the casino industry has declined due to the reduction of tourism. The current year has shown some increases, but the past three years suffered a \$6 million loss, due to a revenue shortfall in several of the casinos operating in the Lake Tahoe area. This reduction had an impact on Douglas County and its school districts, and other overlapping districts. He noted that the Lake Tahoe area does not have large growth in population or assessed value, yet it has over \$1 billion in environmental needs, which is difficult to fund and will be a challenge to both Douglas County and the Tahoe Regional Planning Agency.

He also noted that Douglas County has a lot of infrastructure that is approximately 15 to 30 years old and is deteriorating. The counties have not had a good way of funding for depreciation of those types of items (i.e., water, sewer, roads), and at this point it is difficult to levy the property taxes necessary to fund those items. Northern Nevada has the highest sewer and water rates in the state with monthly sewer bills in one area of \$42 per month and water rates can be as high as \$100 per month. Connection fees for sewer and water are about \$8,000 combined.

Mr. Holler explained that there are 27 special districts (GIDs) within Douglas County and some of them operate efficiently. Others, due to their size, have many difficulties, especially when it comes to constructing roads, which are extremely costly. He also noted that the drainage problems in many areas are causing roads to erode.

In dealing with the state tax cap of \$3.64, Mr. Holler said that Douglas County has a relatively low tax rate, averaging about \$2.35. The rate ranges from \$2.13 to \$3.14, depending on which districts overlap the parcel.

Regarding unfunded mandates, Mr. Holler said that Douglas County is experiencing many of the same problems mentioned by the other counties. The new child support system (NOMADS) is creating some challenges for Douglas County and a full-time district attorney and a full-time clerical person have been added to support the project.

Responding to the Chairman, Mr. Holler said that one-cent would raise \$133,000 in property taxes and the county generates about \$400 million in taxable sales.

According to Mr. Holler, Douglas County:

- Is planning for increased police services over the next couple of the years.
- Is experiencing a growing senior population that has a different service need than is available.

- Is encountering a tremendous growth in youth services (i.e., little league and softball).

Regarding transportation issues, Mr. Holler said that Douglas County is:

- Working on a partnership in Lake Tahoe with private and public agencies to do a coordinated transit system at Lake Tahoe.
- Reviewing a regional transportation plan with Lyon County and Carson City.

Senator O'Connell requested that all the counties and cities prepare a list of the top five priorities that their community would like to take action on without the state's participation. The lists can be submitted to the Nevada Association of Counties and the Nevada League of Cities.

In closing, Mr. Holler said that they have the same concerns about trust land issues as Churchill County. In Douglas County there are housing developments being built that are not required to go through the county for zoning regulations.

Responding to Assemblywoman Freeman, Mr. Holler said that Douglas County has more GID's than any other county in the state. He noted that some of the GIDs have been approached to consolidate or become part of the county, but there are several that work well on their own.

In Assemblywoman Freeman's opinion, the GIDs should be merged into the counties.

The Chairman requested that each of the remaining counties limit their testimony to 20 minutes.

Elko County

Anthony L. Lesperance, Ph.D.

Dr. Lesperance, Chairman of the Elko County Commission, introduced Cash Minor, CPA and Chief Financial Officer and Stephanie Licht, lobbyist for the county. He noted that the Elko County Commission is the strongest political body in the county and is responsible for the economic health and welfare of the community and its citizens.

Dr. Lesperance stated that Elko County is the second largest county in the state. It consisted of a stable agricultural community based upon livestock operations for over a 100 years with a base population of 10,000. In the mid 1970s it was discovered how to extract microscopic gold from the landscape, and Elko's population grew to 50,000 residents.

Elko County's problems are mainly caused by expansion. In 1985 a state of the art jail was built and now a facility twice that size is needed. The county is financially prepared to handle this project, which will cost approximately \$5 million. The county is reviewing an extensive regional transportation plan between the City of Elko and Elko County and the community of Spring Creek, which may cost as much as \$50 million. This is a project that will have to be funded in another way. He noted that a series of meetings have been initiated over the next six months to discuss Elko County's economic expansion.

Continuing, Dr. Lesperance explained that there are three sources that create unfunded mandates, which include: (1) federal mandates, (2) legislative mandates, and (3) state mandates. At this point in time, there are about 115 bill draft requests, which could represent unfunded mandates to rural counties such as Elko. He stated that solid waste disposal, which was an unfunded mandate had a large financial impact on the county. The compliance plan that the county had in place would have cost approximately \$5 to \$6 million for the facility to become operational and \$2 to \$3 million a year thereafter. The county was told that if it did not become fully compliant it would be fined \$2,000 per day on a number of different sites. The county dealt with the solid waste problem and is presently in full compliance, which was done at a total cost of \$250,000 to the county. He informed the committee that Elko County will be in a complete mode of mandatory garbage collection by July 1, 1999, at no further cost to county government.

Another example of an unfunded mandate that was created by the Legislature is the Clean Water Act, said

Dr. Lesperance. The community of Jarbidge in Elko County does not have the capability to develop water sources from underground and must rely on spring water. According to Dr. Lesperance, the water in Jarbidge has served the community for over 100 years, without causing illness. He indicated that it will cost the community of Jarbidge, which has 25 residents during the winter months and 50 in the summer, about \$1 million to comply with the Clean Water Act mandated by the Legislature.

Dr. Lesperance stated that the community refuses to comply with this mandate. If it becomes necessary, the county will provide bottled water for drinking purposes to the citizens of Jarbidge.

Regarding public lands, Dr. Lesperance said that Elko County is concerned about the tax base loss because 72 percent of its land is publicly owned. The Commission has passed a series of ordinances that will make disposal or exchange of private lands for public lands very difficult.

Continuing, Dr. Lesperance noted that Elko County has the best water resources in the State of Nevada and it is the position of the Commission to prohibit the water within Elko County to come under federal ownership or jurisdiction. About four years, Elko County entered a lawsuit with the United States Forest Service (USFS) called the "Kelly Spring Lawsuit or the north Ruby Valley Lawsuit," wherein the USFS disallowed the continued use of four historic spring sources of water for ranchers in north Ruby Valley. Elko County approached the state to enter the lawsuit along with the county and the attorney general indicated "thanks, but no thanks – we don't think it's a wise lawsuit and besides we are on the side of the federal government on this issue." He informed the committee that the case was thrown out of federal court in Reno and the county filed an appeal to the Ninth Circuit Court. He mentioned a similar case that the county won approximately two months ago in San Francisco, California. Elko County is now in a court ordered mediation program with the forest service to resolve all issues of dispute in north Ruby Valley. In Dr. Lesperance's opinion, the outcome of this lawsuit will effect all waters that originate on Forest Service lands in the State of Nevada. He noted that about 90 percent of surface water in Nevada originates on forest land. Therefore, the efforts of Elko County will effect every county and citizen in the State of Nevada.

Regarding water planning, he noted that Elko County has the greatest water resources of any county in the state. Nevada has the best water laws of any state in the west, yet it has funded a state water planner that operates in the metropolitan areas of Clark and Washoe Counties to review the concept of water planning and water law. Elko County does not agree with the state's water plan as it presently exists, and as a result has forced Elko County to establish its own water commission, thus creating another unfunded mandate.

Dr. Lesperance expressed that Elko County will protect its water resources because they are the core of its future economic diversification.

Responding to Assemblyman Price, Dr. Lesperance said that Mr. Lombardi of the Ninth Circuit Court in San Francisco is the court ordered mediator in the lawsuit. He noted that over the next year, Elko County will be attending numerous meetings with the USFS in San Francisco, until the matter is resolved.

Regarding roads, Dr. Lesperance noted that there are about 1,200 miles of county roads in Elko County. The county has passed an ordinance setting forth that those roads belong to the county and there is a map on record describing these roads. According to Dr. Lesperance, "it is Elko County's position that those county roads are the property of the county to maintain as the county sees fit."

Continuing, Dr. Lesperance said that Elko County's population of 50,000 is almost totally based upon mining activity. If there is a sudden downturn in the mining industry, Elko County will be profoundly affected. In Dr. Lesperance's opinion, the money received from net proceeds of mines should be put into economic diversification because with the current government philosophy, mining may not continue to exist in Elko County. He explained that in order to have a viable mining industry, a concurrent exploration industry must also exist. He noted that his firm, the Great Basin Resource Management, has been involved in mine exploration reclamation over the last 20 years. At present, there are virtually no exploration operations in northern Nevada.

Dr. Lesperance conveyed Elko County's concern regarding the decision by Congress that may affect the purchase of property in Clark County, whereas the funds are to be used to obtain environmentally sensitive lands (i.e., identified as land in Elko County). In Dr. Lesperance's opinion, there are two values to property: (1) a fair market value to the property owner, and (2) the value that is derived from a tax basis to the community. When the property is sold to

the government, the property owner will receive fair market value, but the community will lose.

Cash Minor

Mr. Minor, identified earlier, addressed the issue of centrally assessed property. He explained that currently Elko County collects approximately \$3.3 million in centrally assessed revenue. If that property changes to locally assessed, the county will lose a minimum of 50 percent of those revenues, and it is questionable how the county would fund that shortfall.

In conclusion, Dr. Lesperance mentioned two federal court cases which have been heard in the state in the last year where the court has ruled on behalf of the agencies. The language that was used is “that there actions are justifiable without limitations.” He stressed the importance that everyone in the State of Nevada understands the extreme nature of the language “without limitations.”

Responding to the Chairman regarding identifying the court cases, Dr. Lesperance said that he could only recall one, which is “Bundy” and is presently taking place in Clark County. He said that he would submit both cases to the Committee for its review.

Assemblywoman Freeman questioned if Elko County sold its hospital and how the new private facility was working out. She also asked if the ¼ cent tax passed when it went to the voters.

Dr. Lesperance responded that the hospital is in private ownership and is working well. A new \$35 million facility will be built. He noted that his experience in touring privately owned hospitals across the county has been good. As far as the ¼ percent tax, he noted that it was not approved by the voters. Referring to Governor Guinn’s speech, Dr. Lesperance applauded his comments that no new taxes will be initiated

Esmeralda County

Harriet Ealey

Ms. Ealey, Esmeralda County Commissioner, testified next. She noted that the county:

- Consists of 3,530 square miles.
- Is 98.6 percent public land.
- Has a population of 1,430.

She explained that despite its large physical area, the local economy is small and diversified. The economic foundation can be viewed as consisting of four areas: (1) mining, (2) agriculture, (3) tourism, and (4) government. In recent years, mining has generated at least 45 percent and as high as 73 percent of all wages and salaries earned within the county. She noted that it has been demonstrated repeatedly during the last century that the local mining industry has not been stable. The county government is faced with providing the same services and dealing with the same mandates as every other county, including land fills and underground fuel tanks. She explained that the local government has to be conservative in order to accomplish the same goals. When a mandate is passed down, the county does not hire additional employees to carry it out, but rather passes those functions on to the elected officials department.

Continuing, she noted that Esmeralda County:

- Has combined clerk-treasurer and auditor-recorder offices that handle many functions.
- Has only seven deputies patrolling the entire community.

- Maintains approximately 1,085 miles of roads with six employees.
- Operates part-time libraries and has volunteer ambulance and fire services.

Ms. Ealey indicated that many of the county's residents are senior citizens on fixed incomes or individuals earning small salaries. Therefore, the local government has been careful to operate as efficiently as possible without tax increases. She noted that approximately 50 percent of the county is centrally assessed; however, due to the utility lawsuits, the county may lose one-half of its centrally assessed valuation.

She noted that mining plays a significant role in the county's economy, but with the uncertainty of mining, the county is conservative with gross revenue of mines when budgeting, counting very little on that source of income. Some of the critical problems the county will face at budget time are the rising costs of long term indigent care, which increased approximately 40 percent last year. Like many other counties, Esmeralda is also faced with the issue of funding the solid waste management mandate. The county has recently completed one year of operating a land fill and two transfer stations and now has a better idea of what the operating costs will be.

Esmeralda County does not have an adequate five-year planning system in position and is being faced with replacement of county equipment. Several of the county buildings are in need of repair such as the courthouse in Goldfield, which is showing structural damage and deterioration. The water systems in both Goldfield and Silver Peak are in distress as well as the sewer system in Goldfield. In addition, Y2K will be creating additional adverse finance effects.

Continuing, Ms. Ealey noted that S.B. 253 is proposing to change policies that will affect a variety of revenues, which all counties have relied on for many years. Some of the proposed changes could jeopardize the existence of the small rural counties.

Regarding the population, Ms. Ealey said that she did not have the figures with her, but noted that the school enrollment has been steadily decreasing over the years.

Eureka County

Pete Goicoechea

Mr. Goicoechea explained that Eureka County is faced with the same problems as the other rural counties, including decreasing revenues and increasing demands. He noted that 94 percent of the county's tax revenues come from mining and there have been many profitable years. With the decline in gold prices, the county has taken a significant decline of 47 percent in sales taxes. The grazing cuts have caused the loss of 32,000 head of livestock over the last 18 years. The congressional action on land exchanges, also known as the southern Nevada land bill, is upsetting. The estimates are that these land exchanges will project over \$1 billion in land sales if all the land is sold over the next 10 years. In Mr. Goicoechea's opinion, if \$850 million of the money was spent for the acquisition of environmentally sensitive lands, every ranch located in northern Nevada could be purchased. Mr. Goicoechea believes that a portion of that money should be returned to the ranch lands to be used for water improvements.

Mr. Goicoechea conveyed his opposition to Mr. Carver's views that all issues can be resolved at a negotiating table and believes that many issues require litigation to resolve.

Regarding unfunded mandates, he noted that the largest problem is solid waste disposal. The most costly part is when the landfill has to be closed, which could cost over \$3 million.

Responding to questions posed by the Chairman, Mr. Goicoechea said that:

- A one-cent increase in property tax would raise approximately \$65,000 in additional revenues for the county.
- The assessed valuation for Eureka County was fairly stable.

- Eureka County consists of 13 percent privately owned land.
- The school population has declined, but with the Ruby Hill mining project beginning, the population will increase.
- Collective bargaining is not an issue to Eureka County. The workforce is treated conservatively, and the county would probably be about mid-range when comparing to other counties.

In response to Assemblyman Neighbors, Mr. Goicoechea said that net proceeds of mines decreased from \$300 million to \$140 million in 1998.

Humboldt County

John Milton

Mr. Milton, Chairman, Humboldt County Commission, testified that the county is in stable financial condition. He noted that:

- The county's combined tax rate is \$3.14.
- A one-cent increase in property tax would raise \$60,000 in revenues.
- Sales tax is at 6-1/2 percent.
- A budget stabilization fund has been established.

Mr. Milton noted that the county's main concern is the decrease in net proceeds over the past few years and this past year the county had to pay back \$300,000 in net proceeds due to overpayments made. Humboldt County would favor having estimated net proceeds return back to actual.

Continuing, he noted that the county has been experiencing moderate growth and the increase in assessed valuation has helped to cover expenses. However, the county has come to a point where it must repair infrastructure (i.e., extend sewer and water to a large unincorporated area, south of Winnemucca) and build a juvenile detention center. Because the county heavily relies on mining and agriculture, any change to the mining laws or the price of gold impacts its financial condition.

Mr. Milton suggested raising the amount of money that is allowed to be placed in a budget stabilization fund. He noted that additional savings to this fund could help the county if the mining industry experiences a further decline.

In closing, Mr. Milton informed the Committee that another concern of Humboldt County is if changes are made to Nevada's tax structure. In his opinion, the current system has been working well for Humboldt County and he urged the Committee to consider the impact any changes may have to some of the counties.

Lander County

Cheryl Lyngar, Chairman, Lander County Commission, noted that the county is 5,000 square miles and is 93 percent public lands and its payment in lieu of taxes (PILT) from the federal government for 1998 was \$300,000. She noted that Lander County:

- Has an unemployment rate of about 9 percent.
- Relies heavily on net proceeds of mines.
- Has been seriously impacted by the landfill unfunded mandate, and a new sewer project will also have to be built.

The bonding for this project will impact the county even further. In 1997, landfill and sewer fees were increased and an additional increase will be necessary to fund the new sewer project. The sewer rate is presently \$34 per month.

- A new jail and safety complex is presently in the process of being built.
- The county's population is 7,000.

Continuing, he noted that a new school was built during 1997. As president of the Tri-County Development Authority for Humboldt, Lander and Pershing Counties, Ms. Lyngar noted that she is working hard to diversify and bring in other businesses. The problem with Lander County is it does not have the infrastructure to bring in additional businesses, and the county has drafted a capital improvement plan.

Responding to the Chairman, Ms. Lyngar said that one-cent in property tax would raise about \$20,000 in revenue for the county.

In reply to Mary Walker (identified earlier), Ms. Lyngar noted that the county's assessed valuation is stable. However, long-term care has become a concern of the county, and it does not know how this will be funded.

In reply to the Chairman, Ms. Lyngar noted that the county's population consists mainly of younger residents who work in the mines.

Regarding the welfare/child custody issue, Assemblywoman Freeman asked if the county could apply for any federal grants. Ms. Lyngar said that she did not know of any.

Responding to Mary Henderson (identified earlier), Ms. Lyngar said that the property tax rate is \$3.39 countywide, Kingston is at \$3.64, Austin is \$3.60, and Battle Mountain is \$3.50.

Lincoln County

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Dan Frehner

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Mr. Frehner, Lincoln County Commission, stated that the county has lost \$300,00 in tax revenue from centrally assessed utilities and railroad, which is one-third of its total funding. The county consists of a large senior population. The county's main concerns are library expense, welfare, indigent and long-term care. The protected and endangered species are also becoming a financial problem to the county. Federally-owned land comprises of 97 percent of the county.

Continuing, he noted that the federal government wants to realign and redesignate Highway 93, which passes through Lincoln County. The county would like the highway to remain where it is at present so that a portion of the tourist trade will continue to travel through the community. He said that the commission is actively planning for economic development in Lincoln County for assistance.

The Chairman said that the newly elected Lieutenant Governor Lorraine T. Hunt is anxious to work the rural counties to bring new business into those areas. Chairman O'Connell encouraged the representatives of the rural counties in the audience to contact the office of the Lieutenant Governor for assistance.

Mr. Pitlock informed the chairman that the Department of Taxation could provide the figures relating to sales and property taxes on all the counties.

Mr. Frehner said that the county's population is 4,500 and the school population fluctuates.

Lyon County

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LeRoy Goodman

Mr. Goodman, Chairman of the Lyon County Commission and member of the Commission on Economic Development under Lieutenant Governor Hunt, that serves the rural communities. He noted that:

- Lyon County has 32,200 residents.
- The county's average tax rate is \$2.92, and \$3.34 is paid by the Stagecoach GID.
- An additional one-cent in property tax would bring in about \$555,300 in additional revenues and one-cent sales tax would earn about \$1.5 million.

In Mr. Goodman's opinion, Lyon County is in good financial condition at present due to its population increase. The growth in economic development in the Fernley area includes companies such as Amazon.com. He noted that within the next three years about 230 jobs will be available that will pay an average of \$17 to \$20 per hour.

Continuing, Mr. Goodman said that the "truth-in-sentencing" legislation created a further unfunded mandate problem to the county. The longer criminals are kept in the prison system, the more it costs the county. Lyon County is unique since it has five different population centers, the biggest of which are located in Dayton and Fernley, about 50 miles from the county seat. This creates problems with public safety and the school districts. He added that the school district tax rate is \$1.54, which is the second highest in the state.

Mr. Goodman indicated that a third district court judge has been appointed, which will cost about four to six cents of the tax cap in the year 2001. The county donated 2.7 acres of land to build a juvenile detention center in Silver Springs. About two to three cents will be added to the tax rate to pay for maintenance of this facility.

According to Mr. Goodman, Lyon County:

- Is trying to locate a new government building to house the county's various departments.
- Will need a new jail facility in the near future.
- Experiences ongoing problems as far as infrastructure and roads.
- Operates two telephone systems: (1) GTE is used south of the Carson River and (2) Nevada Bell is used north of the Carson River. Sometimes it is difficult to get the two companies to cooperate with each other.
- Has four high schools at present and in the year 2000 a bond issue will be placed on the ballot to add a fifth high school in the Silver Springs area.

Mr. Goodman said that the county is about 30 cents below the tax cap. Long-term care costs are beginning to impact the county. Last year the county had to use \$148,000 from the \$300,000 fund that was set up by the Legislature for long-term care. During 1998, Lyon County will bring in about \$553,000 for long-term care and will yet again have to ask the state for an additional \$157,000 to cover expenses. The county is experiencing this problem because of the high amount of senior citizens moving into the Dayton and Fernley area. He noted that an additional three cents will be added to the tax rate to cover these additional expenses.

Responding to the Chairman, Mr. Goodman said that effective July 1, 1998, Lyon County enacted an ordinance in which all mobile homes that were built in the county after July 1, 1998, will be taxed as real property.

In reply to Assemblyman Neighbors, Mr. Goodman said that new mobile homes that are built outside of a mobile home park must be placed on an eight point foundation. He added that mobile home parks are exempt from this ordinance.

Answering Assemblywoman Freeman, Mr. Goodman said that the matter was discussed with the Mobile Home Association and the measure passed without much opposition.

Replying to Assemblyman Price, Mr. Goodman said that when a mobile home is set on the property it must be placed on a permanent foundation following all the necessary inspections of the foundation.

Continuing with his presentation, Mr. Goodman indicated that:

- Over the last few years the assessed value in Lyon County has increased from 6 to 11 percent each year; and because of the growth, the tax rates have remained stable.
- Net proceeds are only \$90,000.
- Land exchanges have become a problem in the county – For example: In the Fernley area there is a developer who needs about 1,000 acres of land that is east of Fernley. About 8,500 acres was exchanged for the 1,000 acres. He noted that an ordinance has been adopted setting forth that any land exchange within Lyon County must be approved by the County's Board of Commissioners.

In Mr. Goodman's opinion, the Bureau of Land Management should be taking a net decrease when conducting land exchanges so that more land can become part of the state and county. He noted that Lyon County is fortunate because 25.7 percent of its land is privately owned.

- The cost of collective bargaining is about \$400,000.
- Both the total population and school population is growing tremendously.

In closing, Mr. Goodman noted that Lyon County has established a stabilization fund, which presently consists of approximately \$600,000.

Ms. Henderson asked Mr. Goodman if he had any suggestions that the S.B. 253 Committee could work on to help facilitate more of a regional approach (i.e., shared serves and assistance from county to county). He concurred with Ms. Henderson that there is a need for some regional concepts and suggested including areas such as juvenile probation facilities, the Carson River subconservancy, water, roads, and schools.

Nye County

Mr. Carver (identified earlier) read from Article 4, Section 20 of the *Nevada Constitution*, which sets forth that:

Certain local and special laws prohibited: The Legislature shall not pass local or special laws in any of the following enumerated cases:

He indicated that one of the cases mentioned is "county and township business."

He apologized to the committee for Nye County's representatives having to leave this meeting on a number of instances. He revealed that Nye County is presently having a serious problem with its hospital in Tonopah and is trying to keep it open. This hospital covers a large area of central Nevada, and it would be devastating to the state if it closes. The lunch hour today was spent with the Department of Taxation, the Governor's Office and Nye County's Senator and Assemblyman to try to resolve the problem.

Referring back to the constitution, Mr. Carver said that the *Nevada Constitution* created the Legislature, the Governor, the Lieutenant Governor and the County Commissioners. The constitution also created all the other state and county offices. In his opinion, all these people need to be proactive and work together for the benefit of the state. He thanked Chairman O'Connell for bringing the county governments together to discuss the issues of concern to their individual counties.

Mr. Carver informed the Committee that Nye County consists of over 18,000 square miles and 93 percent is federally managed. He noted that three communities in his district are over the \$3.64 property tax cap. One of the

communities is so small that the assessed valuation of taxes collected does not provide for heating the firehouse and keeping the street lights on. However, Nye County is one of the fastest growing counties in the United States and in his opinion, Pahrump will eventually become the second largest community in Nevada.

He stated that a concern in the Pahrump community is not the number of classrooms but the number of new schools needed. The taxes generated do not pay for the sheriff's office budget. Mr. Carver again suggested that the state should review realignment of county boundaries.

The Chairman said that Senator Porter's testimony covered many of the problems that were discovered when the study was conducted on reconfiguring the structure of Nevada's school districts. She suggested that he obtain a copy of the report distributed by Senator Porter for future reference.

According to Mr. Carver, all the counties involved should discuss the issue to come to a resolution.

Senator McGinness suggested that the issue of boundary changes be placed on the ballot as an advisory vote to determine if all the counties agree this should take place.

Mr. Carver suggested conducting a university study to determine the financial effect of a realignment of certain counties. Following the study, each of the counties involved would have to come to an agreement that this should be done and then it could be placed on the ballot.

Geneva Neuhauser

Ms. Neuhauser, Budget Officer for Nye County, stated that Nye County is experiencing many of the same problems as the other counties. The county is growing fast in one community, while other areas are decreasing in population (e.g., Beatty, Gabbs, Goldfield, Round Mountain, and Tonopah).

According to Ms. Neuhauser, the counties assessed valuation has continued to increase, although not at the pace it should be due to the reduction in net proceeds. Some of the major issues of concern to the county include solid waste and roads.

Regarding the land exchange program, Mr. Carver said that through the tri-county agreement, which was mentioned earlier, he is trying to develop a protocol to increase the tax base with land exchanges.

Responding to Assemblyman Neighbors, Mr. Carver said that Nye County is not suggesting that additional counties be created, but that the boundaries are realigned or some of the counties are merged.

Assemblyman Neighbors concurred with Senator McGinness that before any boundaries are changed it should be presented to the voters.

In reply to Ms. Henderson, regarding the growth in Pahrump, Mr. Carver said that the growth includes mostly stick-built homes. He claimed that over a four-year period, the population in Pahrump doubled and then doubled again over the next four-year period. The population is beginning to include a higher percentage of younger residents because there are more jobs available.

Mike Cosgrove

Mr. Cosgrove, Town Manager of Pahrump, informed the Committee that Pahrump averaged a 13 percent growth in 1997, which dropped in 1998 to 9 percent. Including the 12,500 home lots recently approved by the county planning board that are under construction, there are a total of 15,000 lots under construction. He also noted that new parks are being built and the town board has increased the room tax to 9 percent to raise revenues for the purpose of recreation.

Continuing, he stated that two large parcels of land have been acquired from the BLM consisting of 450 acres, which will be used for Nye County's fairgrounds.

Mr. Cosgrove noted that Pahrump is over 300 square miles and is 27 miles long and 12 miles wide. An average of

100 new homes per month are being built. The town has agreements with the Nevada Test Site and Clark County for fire protection. At present, plans are on record for four new hotels and a major casino will be opening on March 1, 1999.

According to Mr. Cosgrove, several of the issues of concern to Nye County include: (1) assessed valuation, (2) depreciation and (3) unfunded mandates. He indicated that by the year 2005, Pahrump will have about 50,000 residents. He also noted that the town has the water and facilities to handle the growth.

Assemblywoman Freeman mentioned that in 1991 a recycling bill was passed and at that time Silver State in Las Vegas was contracting with some of the smaller counties for recycling. She questioned if it would be beneficial to Nye County to contract with one of the big disposal facilities in Las Vegas. Responding, Mr. Carver noted that Nye County has decided to manage solid waste disposal on its own, and it has four facilities in operation.

Assemblyman Neighbors mentioned that the voters were very supportive of the school bond issue in Nye County.

Pershing County

Frank Rutherford

Mr. Rutherford, Pershing County Commissioner, provided a brief overview of the county. He noted that even though the county is at the \$3.64 tax cap, it is in stable condition. The county estimates revenues conservatively and are cautious with expenditures. The state figures for net proceeds was \$35 million and the county maintained its budget at \$18 million. The new state projections for net proceeds are presently at \$24 million. He explained that net proceeds are placed in a building fund and are not used for operating revenue. The county's intent is to establish the stabilization fund with any excess in revenues from either fund.

Continuing, Mr. Rutherford noted that Pershing County:

- Has an operating rate of 1.298 percent.
- Would generate \$15,000 in property tax from a one-cent increase.
- Has not experienced a decline in assessed valuation.
- May have to cut services or projects in order to fund the required mandates (i.e., Clean Water Act, landfill requirements, and judicial expense). In Mr. Rutherford's opinion, if the federal government is mandating the counties to act on an issue, the counties should also be provided assistance to help fund the project.
- Benefits from the mining industry when it is flourishing, but as it begins to decline, so does revenue, net proceeds, and population.
- Has not seen any negative effects from land exchanges.
- Consists of about 50 percent centrally assessed property.
- Is 84 percent publicly owned.
- Is anticipating that expenditures will exceed revenue during the 1999-2000.

Mr. Rutherford conveyed his support for Ms. Ritter's proposal to return back to actual on net proceeds. In his opinion, the counties also would benefit from a shorter turnaround time of revenues that are distributed by the state.

Continuing, he claimed that as grazing declines on public lands because of the increased cost of animal unit months (AUMs), the agricultural communities are further burdened, causing a loss of jobs, population, revenues, and a loss of lifestyle for many people.

According to Mr. Rutherford, if the county's revenues do not increase, it is looking at a difficult future. If the county experiences an economic downturn, it will not be able to establish long term programs such as stabilization or ongoing capital improvements. The county is in great need of a law enforcement center and renovations to the courthouse. Currently, the county is remodeling a building that will become the administration site of county government.

Regarding collective bargaining, Mr. Rutherford said that any funds set aside for building or emergency use should be exempt from collective bargaining.

In closing, he noted that the county is in the process of closing a \$1.3 million grant that funded a runway rehabilitation project at the airport. He also noted that the county is confident that it is about to sell its first piece of property located in the industrial park that will amount to about 26.5 acres and could be a step forward towards economic development.

Storey County

Charles Haynes

Mr. Haynes, Chairman, Storey County Commission, said that Nevada is a diverse state, while Clark County has a total of \$4 million in unfunded mandates, Storey County currently has one single unfunded mandate totaling \$3 million (i.e., the Clean Water Act); and Clark County's park fund is 4.8 times the size of Storey County's entire budget.

The county is currently dissolving the 473 fire district and instituting a 474 fire district, which will provide fire services by the county instead of the state. It was decided by the residents of the county that they would be better served by local fire protection.

According to Mr. Haynes:

- Tax rates are \$2.46 throughout most of the county. However, Gold Hill and Virginia City have a special fire assessment rate and their tax rate is \$3.14.
- A one-cent property tax increase would generate \$12,000 in additional revenue to the county.
- Collective bargaining cost about \$50,000 to \$100,000 per year over the last four years.
- The tax abatement issue enacted by the Nevada State Legislature, allows recycling plants who have a certain amount of money in capital investment to use over 50 percent of recycling materials to receive up to a 75 percent tax abatement. To date, the county has paid the bills to establish the company, but it has not cooperated by paying the taxes.
- Indigent care is becoming a growing financial problem to the county. Currently, the rate for indigent care is at six cents and the county will have to increase the rate to a ten-cent cap. The accident and indigent budget is not sufficient to cover all costs. Each year the county spends over the amount allowed by the Legislature.
- The county's budget for centrally assessed property during 1998 was \$1.3 million of the county's total budget of \$3.8 million. A large amount of revenue is received from the Tracey Power Station in the pinyon pines area of the county. However, if the plant goes on line, the county will lose the majority of the \$1.3 million.
- The industrial park mentioned by LeRoy Goodman of Lyon County will pose an immediate impact on public safety (i.e., increased fire and police protection).
- Over the last 30 years, tourism has traditionally been the number one revenue source for Storey County. Fifty-two percent of all tourism revenues are generated in the Virginia City/Gold Hill area and are obtained from

gaming, and various other tourist-related activities.

As discussed earlier during this meeting, Mr. Haynes said that because of California's Proposition No. 5, gaming in Nevada has been placed in a uncertain situation. Mr. Haynes indicated that the restoration of the Virginia and Truckee Railroad is the number one project that could enhance tourism in northern Nevada and diversify the economy.

Mr. Haynes mentioned a recent event that occurred in Storey County, which was the slaughter of 33 wild horses. This event lead to the arrest of some alleged perpetrators. The cost of the investigation and the subsequent trials that will be forthcoming will be extremely costly to a county of 3,500 residents. Mr. Haynes emphasized that wild horses are a part of Nevada and the citizens of the state must ensure that they are protected and the perpetrators pay the proper price. He noted that Washoe County has volunteered to assist Storey County in the investigation of this crime and he thanked them. Mr. Haynes said "this is the type of spirit of cooperation that I would like to see more of."

Continuing, Mr. Haynes said that some of the other issues of concern to Storey County are:

- The increased cost of juvenile justice, which has tripled over the past year. Although the budget was increased for 1999, it still may not cover all costs.
- Health Maintenance Organization (HMO) insurance is available to senior citizens in Clark and Washoe Counties, but it is not offered to seniors in the surrounding counties, when they would normally travel to the large counties for medical service.

Assemblyman Neighbors informed Mr. Haynes that he has proposed a bill draft regarding the HMO issue. He invited Mr. Haynes to speak on behalf of the bill when it is heard in committee during the 1999 Session.

Assemblyman Price offered his support to help make the railroad operational. Responding to Assemblyman Price regarding the problem getting tourists to Virginia City from Washoe County on Route 341, Mr. Haynes said he attended a meeting with NDOT staff last week, whereby the community of Storey County made some suggestions to NDOT. Another meeting will be held this Friday at the Storey County Courthouse, in which NDOT will advise the county of the mechanisms they are able to use to mitigate the traffic delays on Route 341.

Washoe County

Joanne Bond

Ms. Bond, Washoe County Commissioner, noted that the county has prepared an analysis for the next five years of anticipated expenditures. She indicated that Washoe County's:

- General fund revenues grew at an average annual rate of 8.3 percent from Fiscal Years 1993 to 1998.
- Property taxes and intergovernmental revenues equaled 86 percent of the total revenue for FY 1997-1998.
- General fund revenues are projected to grow at an average annual rate of about 4 percent over the next five years.
- Property tax and intergovernmental revenues are expected to amount to about 88 percent of the total general fund, especially between FY 2002-2003.
- Expenditures grew at an average annual rate of 7.4 percent between 1993-1994 and 1997-1998.
- Public safety comprised of 65 percent of total expenditures in FY 1997-1998.

Continuing Ms. Bond indicated that projected demands for services will result in expenditures growing at an average annual rate of 5 to 7 percent over the next five years. Public safety and general government will total between 66 and

68 percent of total expenditures by the FY 2002-2003. In summary, projected revenues will not support the cost of expected demands for service.

Recently, Washoe County identified additional fiscal challenges facing the county over the next few years, which include:

- The possible elimination of the court administrative assessment could have an impact on the county of approximately \$2 million.
- A number of current and expected capital facilities will have to be addressed.
- Replacement of the county's juvenile detention facility will cost about \$20 million.
- A recent jail space utilization study recommends the need for an additional expansion of the Washoe County detention facility, which will cost about \$6 million.
- Additional items including \$14 million for technology and \$4.8 million in upgrades and remodels for the sheriff's facility. She noted that this is a good example of an unfunded mandate.
- The issue of assessed valuation results in "hot spot" areas within the county where some areas are growing faster than others, specifically the Incline Village area.

Ms. Bond stated that the property tax cap is not being raised, but the assessed value is being increased. She mentioned some residents in the unincorporated areas who have experienced 40 to 70 percent increases on their tax bills.

According to Ms. Bond, continued reliance on sales tax revenues for certain services may become uncertain in the future.

Continuing, Ms. Bond mentioned a number of policy options to deal with the county's fiscal issues, including:

- Establishing priorities for types of services provided. These priorities could be established by using mandated and optional categories of service, as well as eliminating services or functions through consolidation or privatization.
- Restructuring funding mechanisms for programs and services such as direct user fees.
- Establishing enterprise funding and special assessment district funding. Washoe County has created a number of special assessment districts to bring private roads into county standards and having them paved, which has been successful.
- Establishing suburban service districts, capital improvement programs and infrastructure preservation benchmarks.
- Increasing management and performance audits to improve program efficiency.

According to Ms. Bond "everyone wants the services, but no one wants to pay."

John Sherman

Mr. Sherman, Interim Finance Director, Washoe County, said that:

- A one-cent increase in property tax would raise an additional \$750,000 in revenues and a one-cent increase in sales tax would raise about \$40 million each year.
- Washoe County's position on unfunded mandates is similar to Clark County's.

- The percent of squares miles of privately owned land is approximately 28 percent and publicly owned land is 72 percent.
- Regarding collective bargaining, the county is in line with increases that follow the Consumer Price Index. The last increase in Washoe County was approximately 3 percent.

In closing, Ms. Bond thanked Mr. Haynes of Storey County for complimenting Washoe County and to advise Storey County that Washoe County will be meeting with them regarding road issues.

White Pine

Cheryl Noriega

Ms. Noriega, White Pine County Commissioner, thanked Chairman O'Connell for conducting this meeting and allowing the counties and cities to speak on their behalf. She noted that White Pine County:

- Has a population of 10,500 and 50 percent of its residents live in the City of Ely.
- Has a property tax cap for the county of \$3.34, although unincorporated towns within the county are at \$3.92.
- Consists of 9,000 square miles and is 93 percent is publicly owned.

Ms. Noriega conveyed her agreement with Mr. Carver that BLM officials have been good to work with and that several agreements have been made on roads. She also mentioned that last year White Pine County had a court case that costs over \$200,000 and the case will be ongoing with appeals.

According to Ms. Noriega, White Pine County has many of the same concerns as the other counties and noted that depreciation on property is a major issue to the county.

The Chairman mentioned that depreciation is an ongoing item that the S.B. 253 Committee is working on and as far as priorities, this item is at the top of the list.

Ms. Noriega said that she agrees with Lyon County's ideas to place modular homes on a permanent foundation taxing them as real property. She informed the Committee that the county had asked the Department of Taxation for assistance with their budget and this year the budget is showing a \$400,000 balance at year-end.

Continuing, Ms. Noriega said that a new juvenile detention center is needed by White Pine County. This past year the county had to obtain a grant to repair the courthouse roof because last year there were buckets in the courthouse.

Kevin Kirkeby

Mr. Kirkeby, White Pine County Commissioner, noted that he has only been part of the Commission for 17 days. He mentioned the county has the state's largest Elk herd, the second largest Deer herd and the third largest Antelope herd. At present White Pine County is focusing on tourism and is trying to promote the wildlife and scenic beauty of the county and its close proximity to the Las Vegas area.

Continuing, Mr. Kirkeby noted that because it is a mining town it experiences both high and low periods as far as finances. As indicated by Ms. Noriega, the decline in assessed value has been a problem, along with unfunded mandates (landfill and wastewater treatment), effects of the mining industry, land buyouts and public lands grazing (losing about \$3 million annually because of the cuts in grazing). The general fund is \$5.9 million and with all other funds included, revenues total \$11 million.

Responding to the Chairman, Mr. Kirkeby said that one-cent in property tax would raise \$17,200 in additional revenue.

In closing, Ms. Noriega mentioned that White Pine County has had extensive landfill problems and continues to deal with this unresolved issue.

Carson City

Ray Masayko

Mr. Masayko, Carson City Mayor, introduced David Heath, Director of Finance and John Berkich, City Manager. He noted that Carson City has a small land area consisting of 157 square miles with about 30 percent in private ownership, 50 percent federal ownership, and 10 percent state control. The sales tax shift that occurred in 1991 moved the city towards becoming a retail hub.

Continuing, he noted that Carson City continues to work on regional issues such as transportation, and said that the city would like to form coalitions between political subdivisions.

The Chairman noted that a bill draft has been requested relating to this issue.

Continuing, Mayor Masayko said that the city's budget went from \$26 million during FY 1993-1994 to about \$34 million during FY 1997-1998, which is about a 5.5 percent increase per year compounded. Sales tax revenue is about 40 percent of the total budget. Total expenditures have risen from \$25 million in 1994 to about \$31.3 million during 1998, which is about 4.5 percent per year. The city has maintained expenditures that are less than revenue levels and, therefore, was able to establish a financial stabilization fund which sets aside about 8.3 percent of revenues.

Continuing, Mayor Masayko said that the tax rates in Carson City are relatively reasonable. The city provides the services of a full service city at a tax rate that is about the third lowest in the state (\$2.50 property tax rate). The city is not faced with issues dealing with the tax cap.

Addressing the balance of the questions posed by the Chairman, Mayor Masayko said:

- A decline in assessed valuation would affect the city's financial condition.
- Unfunded mandates include landfill, Clean Water Act, and detention (both adult and juvenile).
- Carson City is not affected by net proceeds from mines.
- The city is slightly affected by decisions by Congress on land buyouts. Carson City has a small land area and wishes to protect open space, hilltops and ridges.
- Carson City is not affected by public land grazing.
- Carson City operates a county-owned hospital and a sewer and water utility, which brings the budget to \$80 million per year to provide these services to residents.
- For many years the number of new housing units in the city has been limited to three percent of the previous base. During some of those years the school enrollment was greater than three percent, while other years had much lower amounts.
- The city has five bargaining units and the cost of labor from those units is about 70 to 75 percent of the total budget.

Continuing, Mayor Masako mentioned several concerns of the city, which include:

- The freeway bypass through Carson City. The city is contributing \$19 million to that project. Until the bypass is

fully completed by moving traffic from Douglas County to Washoe and Lyon Counties, it is not going to solve the traffic problem.

- Storm drainage is another multi-million dollar future cost issue.
- Capital expenditures include the sheriff's facilities and dispatch center, and fire department expansion. Also a new \$23 million courthouse and jail facility is being constructed without an increase to taxpayers. Sales tax revenues were set aside in order to bond and pay for that facility.
- The court assessment fee issue could impact the city to the sum of a \$300,000 revenue loss.
- A one-cent increase in property taxes would generate an additional \$90,000 in revenue.
- A one-cent sales tax increase would generate about \$6.8 to \$7 million.

John Berkich

- Mr. Berkich, Carson City Manager, said that a one percent increase in personnel costs would equal about \$240,000 per year. Seventy-five percent of the total budget goes toward salaries and benefits. He noted that Carson City is the only community in the state to levy a one-quarter percent increase in sales tax for the creation of parks, trails and open space.

Continuing, Mr. Berkich clarified that the \$80 million budget mentioned by Mayor Masayko does not include the hospital budget. The hospital has a separate budget consisting of about \$60 million.

Replying to Assemblyman Neighbors regarding a bill passed by former Senator Charles Joerg, Kevin Welsh, Deputy Fiscal Analyst, replied that the bill specified that for any county that more than five percent of the assessed valuation is owned by the state, the assessed valuation is included in the Supplemental City/County Relief Tax (SCCRT) distribution.

Senator Porter complimented Mayor Masayko on what has been done in Carson City regarding parks, open space and trails. He also praised him on the hospitality of the community.

Mayor Masayko said that a welcoming reception will be held on February 2, 1999, sponsored by the business community for the members of the Legislature, their spouses and staff.

Nevada League of Cities

Thomas J. Grady

- Mr. Grady, Executive Director, Nevada League of Cities (NLC), introduced Lisa Hoffman, a new member of his organization. He noted that on December 1, 1998, at the request of this Committee, each of NLC's member municipalities was sent a request for financial information. The request was sent to the attention of city mayors or chairman of the boards for NLC's affiliate members. Of the 25 requests sent, NLC received answers from 13 of 18 cities and 2 of 7 affiliate members. The information was forwarded to Mr. Welsh of the Fiscal Analysis Division and is part of today's packet (see Exhibit K).

Mr. Grady stated that some of the municipalities are here today to address the Committee regarding their individual concerns. As a result of the survey, NLC received a number of phone calls, which prompted other questions or concerns. A letter was drafted to Chairman O'Connell on December 30, 1998, addressing these issues. Mr. Grady thanked the Committee for making these issues part of this meeting's discussion.

According to Mr. Grady, 16 members of NLC are in the audience today to work with the Committee and answer questions. Many of these representatives include mayors from Boulder City, Ely, Lovelock and West Wendover. Two of NLC's executive board members are present, Mayor Walter G. Sanders, Mayor from the City of West

Wendover and Ron Cruz from Indian Hills GID. In addition, representatives are present from the Cities of Boulder City, Elko, Ely, Fallon, Henderson, Las Vegas, Lovelock, Mesquite, North Las Vegas, Reno, Sparks, West Wendover, Yerington, and the Gardnerville Ranchos, Indian Hills and Pahrump.

Mr. Grady indicated that almost every entity has addressed the issue of unfunded mandates. He requested that the Committee expedite BDR 17-980 (addresses unfunded mandates and proposed by the S.B. 253 Committee) early on during the 1999 Session because it will have a tremendously effect on what happens with future legislation. In his opinion there will be over 200 bills that could generate unfunded mandates.

Boulder City – City of Ely – City of Lovelock

Robert Ferraro

Mr. Ferraro, Mayor, City of Boulder City, introduced Robert Kenney, Finance Director for the City of Boulder City. Mayor Ferraro stated that the city is the most southern incorporated city in the state and is located a short distance from Las Vegas. It has a population of 14,500 and there is no gaming in the city.

Mr. Ferraro indicated that the city has a growth control ordinance that has been in effect since 1979, limiting growth to less than three percent. This ordinance was created by public choice and has caused some problems because of the reduced growth. However, the City of Boulder City works with its neighboring communities to resolve problems that affect each of them. Because of the cooperative spirit between the communities, some major results are beginning take place.

According to Mr. Ferraro, one of the problems of the city is it does not receive any gaming revenue from the state, and are concerned about the tax formula as it exists. Without a modification to the formula, Boulder City will continue to receive less of the tax benefit because of the reduced growth to the area.

Mr. Ferraro announced that the city has diversified by attracting other forms of economic development, including:

- A gas fired power plant, which is one of the cleanest operating plants in the country. The plant will be in operation in less than one year and is located in Boulder City. It will produce approximately \$1 million in revenues the first year and slowly increase up to about \$2 million in revenues per year.
- The MGM Grand is in the process of developing two major golf courses in Boulder City. One course will be exclusive for the hotel guests and the second will be a luxurious course charging substantial green fees. The lease on that property will generate an additional \$1 million in revenues per year.

In closing, Mayor Ferrara indicated that Boulder City has more square miles than any other city in the state consisting of over 100 square miles.

Senator Porter thanked Mayor Ferrara and all the other communities in southern Nevada for the many hours spent with the Southern Nevada Strategic Planning Authority.

Jack Smith

Mr. Smith, Mayor of the City of Ely, explained that Ely is one of the more isolated areas in the State of Nevada with a population of about 5,000. The population has remained the same for the past several years. The city's income is flat at present because most of the homes in the community are older. Therefore, the community has to get along with what it can afford.

Mayor Smith thanked the Committee members for giving the entities the opportunity to express their concerns at this meeting. He informed the Committee that Ely is experiencing many of the same problems as the other entities. He introduced Brent Hutchings, Clerk and Administrator for the City of Ely and noted that Mr. Hutchings has worked very closely with this Committee. He also introduced Barbara Leonard, City Treasurer. He commented that Mr. Alastuey's report was very informative and noted that the City of Ely is presently following most of the items that were mentioned by Mr. Alastuey to maintain financial stability.

According to Mayor Smith, the City of Ely is also experiencing adverse effects from unfunded mandates (i.e., solid waste disposal).

He repeated that the City of Ely is trying to build an economic base on increasing tourism. An economic development group has worked hard and with the city's close proximity to Clark County, yet cooler climates, have been able to attract more tourism during the months of May through December.

City of Lovelock

Ray Espinoza

Mr. Espinoza, Mayor, City of Locklock, introduced the City Clerk and Treasurer, Virginia Rose. He thanked the Committee for allowing the entities the opportunity to present their issues of concern. Continuing, he noted that:

- Lovelock is a general law city, with a population of 2,880 that will decrease on July 1, 1999, to 2,630.
- The city's assessed valuation has increased 12.5 percent over the last two years.
- A stable program needs to be developed that can be used to budget for services required by the city's residents.
- The city's tax rate is 62.88 cents -- \$109,000 is received from ad valorem tax (an increase of one cent would generate \$1,600 in revenue).
- The city has 650 acres (just over one square mile). In the last two years, \$5.6 million has been spent on the city's sewer system and \$2 million of that amount will be in bonds to be repaid over the next 20 to 40 years.

Responding to Chairman O'Connell, Mr. Espinoza said that one bond is for 20 years (\$400,000) and one is for 40 years (\$1.6 million). The reason the bond was extended to 40 years is because 63 percent of Lovelock's citizens are low to moderate income and cannot afford large increases to their sewer rates.

Continuing, he noted that unfunded mandates include:

- The court system.
- Sewer systems must comply with the Environmental Protection Agency (EPA) regulations.

He informed the Committee of two bill draft requests: (1) requires the establishment of an enterprise fund for building permits, and (2) requires cities to pay for a city attorney. He suggested that the committee oppose both of these BDRs because they would create additional unfunded mandates for the entities.

Mr. Espinoza noted that the cost to employ a collective bargaining negotiator for the city is about \$5,000 per year. The city has two bargaining units, which have adversely affected the city's budget since they increased some of the benefits for the employees under those bargaining units.

In closing, he said that the city has been successful in meeting its financial obligations. It had to decrease its number of employees from 17 to 15-½ in order to maintain a stable financial condition. He also noted that locating a prison facility in Lovelock was intended to increase economic development for the area, but many of its employees are traveling to other areas to make purchases. Therefore, the city is not receiving any benefit to having a prison located in its community.

Mr. Leavitt (identified earlier) commented that Lovelock is unique since it has not had any revenue or expenditure growth over the last five years, but has also not had a diminishing fund balance either. Lovelock has been able to maintain a stable financial condition under all circumstances, while other entities in the same situation have continued

to increase expenditures until their fund balance is gone and cannot even meet payroll. He commended the City of Lovelock for being able to maintain its financial stability in these difficult times.

Responding, Mr. Espinoza said that Virginia Rose, the City Clerk and Treasurer is responsible for the stability of the city

Responding to Assemblywoman Freeman, Mr. Espinoza repeated that it has not helped Lovelock's economy to locate a prison facility in its community. He noted that employees of the prison complain that there not enough housing in the area. However, the rental rate has decreased. The community has had several meetings and is trying to address this issue.

Mayor Smith, noted that the City of Ely has had a positive effect from the prison in its community. However, there is a large turnover of staff at the prison because many employees decide to relocate to other areas.

City of West Wendover

Walter G. Sanders

Mr. Sanders, Mayor of the City of West Wendover, thanked Senator Porter for his bill draft to organize a committee to promote economic diversification in the State of Nevada. In Mayor Sanders opinion, this is the key element in what all the cities and counties are trying to accomplish.

He commented that the City of West Wendover is in sound financial condition because of the hard work of the City Manager, Keyth Durham; and the City Treasurer, Myrna Hess. Responding to the questions posed by the Chairman, Mayor Sanders said that:

- Last year the city's overall growth was about 17 percent.
- Assessed valuation increased about 15 percent during the last fiscal year. With the increase in assessed valuation for FY 1997-1998, the assessed valuation was at \$61 million. For 1998-1999 the city's assessed valuation is about \$66 million.
- The casinos in the community employed 29,070 people last year.
- The school population is about 1,000.
- The West Wendover/Utah population is approximately 2,000.
- Additional businesses in the community contribute another 450 to 500 jobs.

Mayor Sanders disclosed that last week the city's economic diversification plan was completed. This plan includes the design for "Port of West Wendover," a project which will encompass large plots of land for manufacturing, warehousing and distribution. The city will also be applying for an international trade zone on this newly proposed development. The city has been working on land acquisitions for the last eight years and is presently involved in annexing an additional 96,000 acres to the city limits. The land acquisition for the Port of West Wendover will encompass about 10,000 acres. In Mayor Sanders opinion, the plan should take place during this year. The types of businesses that will be moving to the area will require many services that the City of West Wendover will be responsible to provide.

Unfunded mandates include wetlands issues, solid waste management, drinking water, and health care. Presently in West Wendover, healthcare is provided by the University of Utah in Salt Lake City, but with the capital improvement projects that are being planned for the city, it will need to have a staff of doctors and nurses in the community that are provided by the State of Nevada or the City of West Wendover.

In closing, Mayor Sanders said that if there are any changes made to the reapportionment issues of any tax, that it

carefully be considered to ensure the funds will be fairly and equally distributed to all the entities.

Responding to Assemblywoman Freeman, Mayor Sanders said that along with developing an industrial warehousing facility, a large airport facility is being developed on the Utah border. The City of West Wendover will be contributing to that development in the form of taxi ways, warehousing, rail and truck service. He explained that the project has been studied over the last eight years and the city has become familiar with the development of air industrial facilities. The city has been in contact with some of the largest shipping and receiving companies in the country.

City of Reno

Lisa Sadow

Ms. Sadow, Finance Director, City of Reno, provided the committee with an overview of Reno's "Financial Strategic Plan," dated June 1998 (see Exhibit L). She mentioned that the City of Reno is experiencing a constant increase in assessed valuation in most cases. Although, the city is seeing a decrease in assessed valuation in certain areas of the city such as the river corridor. Consequently, the city council has prioritized redevelopment of that area of declining assessed valuation and has been using redevelopment funds to acquire private property for restoration purposes.

Ms. Sadow said that the city is working on preparing a compilation of the financial effects of certain unfunded mandates and will provide this report to the Committee when it is finalized.

She mentioned that the base amount of money to run a city is of concern to the City of Reno. Mr. Pitlock spoke at one of S.B. 253's Technical Advisory Committee meetings about the fact that industry is changing and the economy is moving away from building large plants, which will impact the revenue base seen in property taxes. Another concern is taxation of Internet sales and the increase of those sales.

Ms. Sadow said that she met with the city's power company last week to discuss deregulation of utilities and the impact that will have on franchise fees. According to Ms. Sadow, there are a number of revenue areas where the city may experience an erosion of revenues because of the changing economy.

According to Ms. Sadow, the City of Reno is facing a large capital outlay to update its computerized dispatch system. A five-year strategic plan was put together for information services, but new technology is costly and the city will require large sums of capital to complete this project.

She noted that over the last couple of years the city has established a stabilization fund and has also put aside general fund revenue for capital improvements. Ms. Sadow said that the taxpayers have supported many of the services that they want by paying increased taxes. However, the city believes that there may be problems in the future addressing the many changing needs (i.e., senior citizens' services and youth needs). Last year the city implemented a financial strategic plan (see Exhibit L), which projects revenues and expenditures for the next 20 years. The expenditure projections are based on a fiscal model taken from the city's master plan update. The goal is to address the city's needs as it grows without adding staff or increasing taxes.

Referring to Exhibit L, Ms. Sadow said that the areas the city will analyze on a continuing basis are: (1) the \$3.64 property tax cap, and (2) assessed valuation.

Regarding collective bargaining, she explained that salaries constitute about 67 percent of the city's general fund and it has signed a four-year contract with its bargaining units.

Ms. Sadow noted that the city has established a pay-for-performance plan for its management team and non-unionized staff and has also implemented a broad expansion of classes of staff. The city is trying to develop more flexibility among its staff so that they can move to different positions as the needs change.

Regarding Internet sales, Chairman O'Connell said that it is unsure how extensive the impact on the state will be. She requested Carole Vilardo, Executive Director, Nevada Taxpayers' Association (NTA) to comment on Internet sales.

Carole Vilardo

Ms. Vilardo informed the Committee that Internet sales for 1997 were \$2 billion and it is projected that they will be up to \$7 billion for this calendar year and could be as high as \$20 to \$25 billion next year.

Mr. Pitlock added that recently the Internet Freedom Act was passed by Congress. Part of the act was to set up a commission to study this issue and how it could affect sales tax revenue in the state. One of the seats on the commission has been reserved for a state that does not have income tax and thereby relies heavily on sales tax. Because Nevada does not have personal or corporate income tax, it relies heavily on sales tax at both the state and local levels, therefore it would be beneficial to the state to be part of the commission.

Further adding, Ms. Vilardo said that the Federal act now consists of two provisions. It began with a total moratorium on anything involving the Internet, but later expanded to include the sales tax issue and the actual taxation of Internet services.

According to Ms. Vilardo, in 1989 legislation was requested relating to states that were trying to capture mail order sales by residents. She noted that shortly after the bill went into effect, the definition of "when a sale took place" had to be changed and voluntary reporting was requested. At that time, Nevada was asked to enter into a lawsuit with the State of North Dakota to challenge a 1969 United States Supreme Court decision whereby "unless you have physical presence in a state, sales made by you could not be taxed. Nevada tried to establish laws to address the necessary mechanisms that would allow voluntary reporting.

In Ms. Vilardo's opinion, Nevada has a compounded problem: (1) it relies on sales tax; and (2) the 2 percent increase in sales tax from 1956 was referendum approved. She noted that in 1956, business was conducted in a much different manner than it is today. Because of the problems that occurred from this tax, the Department of Taxation had to try to craft regulations that the association has opposed. The Legislature is facing a tremendous challenge during the next 2 years to correct what was done in 1956, and to determine how to stabilize Nevada's sales tax system.

The Chairman thanked Ms. Vilardo for her comments.

Ms. Sadow thanked the Committee for the work they are doing regarding depreciation. She noted that the politicians for the City of Reno have been very supportive in adopting policies that provide fiscal stability for the city.

Mr. Grady added that the National branch of the Nevada League of Cities has taken an active role in the Internet Sales Tax. He noted that the makeup of the committee that came out of the last congressional session was not arranged the way the bill set forth. At present, there are two members on the committee that support local governments.

City of Sparks

Terri Thomas

Ms. Thomas, Finance Director, City of Sparks, apologized for not providing the five-year history that was requested through the Nevada League of Cities. She reported that presently the City of Sparks is in stable financial condition. Growth patterns for the city have been typical for a city the size of Sparks. The city's ending general fund balance for the last five years has been about 8.3 percent.

According to Ms. Thomas, the City of Sparks:

- Has established building permits in an enterprise fund.
- Will be segregating its parks and recreational activities into a special revenue fund to better track program revenues versus expenditures for those purposes.

- Adjusted charges for services wherever possible according to statute, so that specialized services are collecting a fee that covers the cost.

In closing, Ms. Thomas said that the City of Sparks shares many of the concerns of the other entities that have been heard today. She noted that she concurred with Lisa Sadow of the City of Reno and shares many of her concerns.

City of Henderson

Elizabeth Fretwell

Ms. Fretwell, Intergovernmental Relations Director, City of Henderson, provided a brief overview of the city's economic condition. Ms. Fretwell said that:

- Since the 1990 census, total development units in the city have increased by over 50 percent.
- Total assessed value from 1997 to 1998 increased 25 percent
- The number of building permits increased 194 percent during the last decade.

Ms. Fretwell indicated that Henderson has been experiencing an enormous rate of growth in the City of Henderson. According to Ms. Fretwell, the city's accomplishments include:

- The recent ground breaking of the Green Valley substation.
- Ninety percent of the city's reclaimed water is being used for irrigation purposes, parks and golf course projects. She noted that a recent survey revealed that water and air quality issues are of importance to the citizens of Henderson.
- Last year a \$50,000 bond issue was passed, which is to be used for parks. The city has six new parks, which consist of about 78 acres. Eighteen new park projects are expected to be completed in 1999, increasing total park area by 258 acres.
- Over 4,000 people each year have visited the city's bird viewing preserve, which has won national awards.
- The Whitney Ranch Recreation and Aquatic Center is near completion.
- Sixty one-bedroom apartments will be opened to accommodate senior citizen housing through the city's new affordable housing program.
- In April 1999 a farmers market will be open in an effort to help with the downtown revitalization plan.

According to Ms. Fretwell, transportation has been a constant issue for the City of Henderson. The Legislature helped the City during the 1997 Session in negotiating with the Department of Transportation for improvements to State Route 515. She indicated that the city is planning to begin the project with installation of sound walls sometime in September 1999.

She noted that the city is anticipating the opening of a new Hyatt Resort in Lake Las Vegas, which should draw a lot of exposure for the City of Henderson.

Ms. Fretwell mentioned that she is anxious to continue to work with the S.B. 253 Committee and its Technical Advisory Committee on the distribution formula.

Regarding unfunded mandates, Ms. Fretwell said that the city's estimate is over \$1 million, and she noted that some of the information is outlined in the packet submitted to the NLC (see Exhibit K). She explained that after talking with the city's financial staff, additional items were brought to her attention. She offered to compile a summary for

the Committee, listing the specific programs that have caused unfunded mandates.

Continuing, Ms. Fretwell said that about 71 percent of Henderson's budget is used for human resources and includes the ancillary costs relating to them. In closing, Ms. Fretwell repeated that the City of Henderson recognizes the Legislature's encouragement to be self-sufficient. She said that Henderson and Clark County entered into an interlocal agreement two days ago to accomplish joint planning for infrastructure, including water, sewer, police substations and fire stations. According to Ms. Fretwell, when a community is growing so quickly, it is beneficial to work with the bordering entities by conducting a joint planning to obtain the most efficiency and increase public safety.

Responding to Assemblywoman Freeman regarding the per capita income, Ms. Fretwell said that it is fairly high compared to other entities.

City of Elko

Ms. Ritter, representing the City of Elko, apologized for Elko's mayor who was not able to attend today. He is presently on his way to Basque country of Spain. She also noted that the vice-mayor became ill last night and could not make it. She thanked the Committee for providing the City of Elko with the opportunity to share some of its financial challenges. Mr. Myers prepared written testimony (see Exhibit M), which Ms. Ritter recited for the Committee:

The City of Elko has grown rapidly over the past 8 years, from a population of roughly 15,000 in 1990, to over 19,000 in 1999, which is a 27 percent increase. The growth in our city is largely a result of the mining boom in a neighboring county. While we appreciate the positive economic effects brought about by the mining industry, the fact that our primary employer is located outside of our county has presented us with the challenge of meeting the needs of our growing population without an industrial tax base. For example, Barrick Goldstrike Mine is now constructing a \$300 million roaster. We will receive none of the sales taxes from the materials used in construction, nor will we benefit from the increased assessed valuation brought about by its completion. Yet, we will provide public services to the estimated 1,200 construction workers expected to make Elko their temporary home, as well as the 145 permanent employees needed to operate the roaster. We appreciate any investment made into northeast Nevada, however, we must be realistic and be ready to face the service demands this investment places on local government.

Our population growth has attracted new commercial and retail businesses, however, we still suffer from out migration of sales tax dollars to nearby Idaho and Utah. Currently, sales taxes make up over 50 percent of our general fund revenues. We have experienced a steady decline in this revenue source over the past 18 months. This decline has resulted in a budget reduction of over \$1 million this fiscal year. Unfortunately, the reduction in sales tax revenues have not decreased the demand from the public for basic services such as police protection, fire protection and street repair. We need to diversify our revenue in order to guard against future fluctuations in sales taxes.

The vision statement for the City of Elko states in part, "We are a non-intrusive, efficient city government providing excellent service to the public through dialog, dedication and innovation." Last year we embarked on an aggressive program to open dialogue with the public. We held several town hall meetings and aggressively surveyed our citizens. From the many comments received during the town hall meetings, and the nearly 500 surveys received, the results were clear – streets were the number one priority. We face a serious challenge keeping up with maintenance of existing streets in our city. We fund our street program with a combination of gasoline taxes and other general tax revenues. In Fiscal Year 1997/98, only 25 percent of our street department budget was funded with gasoline taxes. Gasoline taxes are a flat tax; a set amount per gallon of gasoline sold. We have seen the cost of street maintenance and repair rise, yet gasoline tax revenues remain relatively flat.

As our City and the areas around us have grown, we have found a need to address transportation capacity issues, we need to develop additional transportation routes to handle current traffic flows. With all of our available revenues going towards street maintenance, we have been unable to address these important transportation needs. A few years ago, we, along with our neighboring cities, asked that the Elko County Commission increase the Regional Transportation Commission fuel taxes to the maximum 9 cent level. They chose not to levy this tax, despite the recommendation of the cities within the County. We would ask that cities be provided with the opportunity to take advantage of programs authorized by the State without depending on a separate governing board. We stand ready to

be accountable to our taxpayers.

The City of Elko Board of Supervisors applaud your efforts to address many of the financial challenges faced by local governments. Your willingness to take the time to hear from cities and counties is a clear sign that this committee is willing to work with us to develop solutions. While I have no clear solutions to the challenges I have listed, we will continue to look for those solutions and present them for your future consideration.

Ms. Ritter added that she was happy to hear that Elko County is interested in economic diversification. The City of Elko is ready to address this issue as soon as possible. At present some of the programs taking place by the City of Elko are:

- A fire academy will be opening on March 1, 1999, which will bring in about 200 students per week to the community.
- Constructing a new senior citizen center, in conjunction with Elko County.
- The possibility of a new airport terminal.
- Expansion of the Great Basin College – The college will change from a two-year college to a four-year college, it will be installing a new computing center, and improvement will be done to the campus.

Continuing, Ms. Ritter said the city believes it is prepared for economic diversification because it has an airport, a railroad, easy access to Interstate 80 and the water and sewer capacity necessary to accommodate growth. In Ms. Ritter's opinion, "the tourism opportunities are endless."

City of Fallon

Gary Cordes

Mr. Cordes informed the Committee that he has been the Clerk-Treasurer for the City of Fallon since 1989. In 1991, as a result of the "Fair Share" legislation, the City of Fallon had a hiring freeze which lasted over 3 years. At that time, cost-of-living increases were not granted. The city had limited investment in capital and had depleted most of its reserves. During the 1993 Session, the city council, as well as the Churchill County commissioners triggered those makeup revenues with a ¼ cent sales tax and a 20 percent increase in motor vehicle privilege tax.

Regarding collective bargaining, Mr. Cordes said the unions worked with the city during its difficult financial period. They understood the financial situation and knew that the revenues were not available. Therefore, they agreed to no wage increases or hiring of additional employees. However, the union became impatient and the city decided it might be beneficial to conduct a study of the possibility of developing a citywide compensation program. The study was delayed almost 2 years because the city was attempting to recover its reserves. He also noted that street projects and equipment that needed replacement was also deferred.

Continuing, Mr. Cordes said that the results of the compensation study revealed that some key positions were underpaid as much as 14 to 25 percent. Also, the study resulted caused the sheriff's department to request that they be compensated the same as the Fallon Police Department. In Mr. Cordes opinion, collective bargaining is extremely costly on a regional basis.

During this period of fiscal difficulty, it was discovered that almost 60 percent of Fallon's retail dollar was going to both Carson City and Washoe County. Fallon's retail base was not established and its residents were choosing to go outside the city to make large purchases. In 1996, Walmart opened a store in Fallon, and during the last two years the city's compounded taxable sales have increased almost 14 percent.

Continuing, Mr. Cordes said that over the last three years the city's ending fund balances have been between 17 and 20 percent. However, the city has not been able to catch up on its street inventory for repairs.

Regarding unfunded mandates, Mr. Cordes said that is *Public Law 101-618* is one of the largest concerns the City of Fallon is facing. This law includes many interrelated provisions regarding the reallocation of the Truckee River.

One of the provisions is to award the tribe a significant amount of money (about \$43 million) to be used for long-term economic investment both in Churchill and Lyon Counties. He indicated that the tribe has purchased 36 acres of prime commercial property in the City of Fallon. This property will automatically become trust property, Mr. Cordes explained that the taxation and distribution of taxes on sovereign properties is unheard of. The problem is that the 36 acres were purchased with a small portion of the \$43 million. Therefore, additional properties can still be purchased, which will damage the city's point of source tax base even further.

Mr. Cordes said that the City of Fallon has many enterprise funds, including electricity, sewer and water. He noted that:

- Electric rates are competitive and extremely profitable.
- Garbage pickup and landfill are serviced by the city.
- Water and sewer rates are among the lowest in the state.
- Landfill rates are extremely high as a result of complying with Subtitle D of the Landfill Act. Annual operation cost increased from \$150,000 annually to \$650,000 annually.

Continuing, Mr. Cordes said that the city is facing a capacity issue regarding its sewer system. In order to increase the sewer system capacity to be in compliance with EPA regulations, the city must incur a \$3.5 million expenditure. As a result, the city's sewer rates will be the highest in the state.

Regarding the traces of arsenic in the water (no adverse effects have ever been noticed), Fallon will also have the highest water rates in the state once it becomes in compliance with federal law.

In closing, Mr. Cordes noted that it is difficult for the city to comply with federal regulations. Although the city is fiscally sound, it also has many large issues that must be addressed.

City of Mesquite

Elizabeth Fretwell

Ms. Fretwell said that Warren Hardy who represents the City of Mesquite had to leave. Therefore, she will be speaking on his behalf. She noted that Mesquite's concerns are similar to the City of Henderson regarding the distribution formula.

City of Yerington

Ross Whitacre

Mr. Whitacre, City Councilman, said that the City of Yerington is facing many of the same issues that have been discussed by the other cities, therefore, he would not repeat all those items. He noted that Yerington is a slow growth city and has had no substantial increase in assessed valuation in a number of years. The city has become an agricultural and retirement community. Because there is no significant industry the sales tax base is also low compared to many of the other cities.

Continuing, Mr. Whitacre noted that the city lives within its small budget and maintains a few enterprise funds. Presently, the water fund is not paying for itself, therefore, the city is considering increasing the rate. The city is repaying a loan on a remodel to the sewer system a number of years ago.

He indicated that the city does not have an ending fund balance at the end of the fiscal year, and most of the money from the budget goes towards paying the operating costs of the city. Any capital improvement projects come from grants.

Mr. Whitacre indicated that the police department presently shares space with the sheriff's office, but the city foresees the need to either expand the present facility or construct a separate facility for the police department in the near future.

In closing, Mr. Whitacre said that unfunded mandates are also an issue to the City of Yerington.

Gardnerville Ranchos GID

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Bob Spellberg

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Mr. Spellberg, District Manager for the Gardnerville Ranchos GID said that this GID was created in 1965 to serve water and streets to a small subdivision. Over the years, this community has grown into four square miles with a population of 10,000 people. The GID consists of 40 miles of street, 40 miles of waterline and about 35 miles of sewer. The GID has a small commercial base, but provides the services required by the residents.

Continuing, with the creation of S.C.R. 40, the GID's board saw a threat to the existence of the GID and the good quality of services provided by it and considered incorporating. However, over the years, and with the creation of the S.B. 253 Committee and S.B. 254 (Chapter 660, *Statutes of Nevada 1997*), the board felt the threat was lessened and, therefore, has decided not to incorporate.

He explained that a one-cent increase in property tax would raise about \$15,000 to the community. The assessed valuation in 1998 was about \$148 million. Over the last 8 years, the GID increased its assessed valuation by \$50 million and over the last 2 years has grown at a rate of \$2.5 to \$3 million.

Mr. Spellberg indicated that the community is about 90 percent built out. There are approximately 700 acres available that can be built on and another 1,100 acres in ranch land that eventually will be developed that is located just outside the GID's boundaries.

Indian Hills GID

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Ron Kruse

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Mr. Kruse, Chairman of the Indian Hills GID, and affiliate member of the Nevada League of Cities. Mr. Kruse submitted a statement regarding the fiscal condition of the GID (see Exhibit N). According to Mr. Kruse, the GID has been in operation for over 26 years and over the last 2 years has experienced a tremendous amount of growth. Two years ago the GID consisted of 2,500 residents and presently has 4,000. The community has had an 11 percent growth rate in its residential construction – an average of 150 to 200 new homes are being built on an annual basis.

Continuing, Mr. Kruse outlined some of the statistics regarding the GID, as follows:

- The tax rate has increased from 60 cents to 77 cents.
- The assessed value is about \$47 million.
- Employs 12 people.
- A new \$2 million water treatment plant will become operational on January 1, 1999, and has consolidated three water systems (Indian Hills, Ridgeview and Jacks Valley School Water System). The GID may also service Sierra Estates if it becomes necessary.
- A \$1.7 million upgrade is planned over the next few years for the waste water treatment plant.

Mr. Kruse noted that with Home Depot and Target stores coming into the area, some adjustments to the infrastructure will be necessary to accommodate them.

In closing, he said that the GID has been successful and plans to continue growing. He added that the GID has three parks, one was expanded last year at a cost of \$587,000.

McGill Ruth GID

Richard Foreman

Mr. Foreman, engineer for the McGill Ruth Consolidated Sewer and Water GID, noted that he was present today at the request of Janet Murphy (identified earlier) to explain the history of how the district was formed and some of the problems it is currently encountering.

Mr. Foreman indicated that there are rumors that McGill Ruth has sewage all over its streets, which is untrue. He noted that sewer lines have plugged up periodically and must be cleaned up. The town of McGill was created in 1906 and the sewer system was also installed at the same time. The town of Ruth was constructed in 1954 by a mining company in the area and was not built to the engineering standards at that time, and therefore, both communities are presently experiencing difficulty. He noted that primarily the lines are rotting and manholes are nonexistent. Five gallon cans and 50 gallon barrels are used, which were used by the mining companies when the districts were created. He explained that the lines must be replaced and the entire sewer system. In 1982, the community began replacing the water system, which was recently completed.

According to Mr. Foreman, the community is presently trying to obtain grant money and also plans on increasing the rates in order to accomplish replacement of the sewer system. He noted that if the sewer rates are increased by \$7 per month, which will be what most of the other communities are paying, it may make grant money more accessible.

Ron Petrie

Mr. Petrie, Maintenance Supervisor for the McGill Ruth Consolidated Sewer and Water GID, said that the system the community is using would not be allowed to become a public system with today's health standards. He mentioned that the taxpayers in the community are basically retired people, state workers and mining workers. There is also a transient population that leaves the area for the winter. He noted that, unfortunately, much of the income to the community is lost during the winter months. Mr. Petrie said that they are also reviewing the possibility of establishing a standby fee for those people that leave the area for the winter months.

Janet Murphy

Ms. Murphy indicated that she has been working with a new board member who is a former White Pine County Commissioner, Mr. Wayne Cameron. She said that Mr. Cameron is in favor of increasing the rates. The USDA and CBDG are aware of the problem and are willing to provide grant money for the new infrastructure as long as they follow policy. She noted the policy is that the entity must have a competitive user fee, which would be \$22 a month per user. Presently, the residents are paying \$14 per month. The community has approximately 1,000 users.

Continuing, Ms. Murphy informed the Committee that she has contacted Jim Williams of Nevada's Environmental Protection Agency. According to Ms. Murphy, McGill Ruth's residents receive their water from ground water and nitrates can infiltrate into their wells.

In closing, she noted that the entity is on the right path to correcting the problem. Two of the board members are willing to increase the rates and one additional board member must be convinced that the problem is serious. If the proper documentation is gathered and the community is brought up to a competitive user fee, they should be able to get the help to repair their problem.

Tahoe-Douglas GID

On behalf of the Tahoe-Douglas GID, Ms. Murphy said it is in stable financial condition. She noted that the district

has applied the techniques used by Clark County and they are working well.

Chairman O’Connell thanked all the entities for taking the time to be present at this meeting today. She said that the information presented today will be reviewed by the Committee. She indicated that the Clean Water Act seems to be one of the major problems throughout the State of Nevada.

In closing, the Chairman reminded the entities to submit their five top priorities to the Committee as soon as possible. She thanked the Committee members for having patience during this lengthy meeting.

ADJOURNMENT

There being no further testimony, Chairman O’Connell adjourned the meeting at 6:30 p.m.

Respectfully submitted,

Jeanne Peyton
Secretary

APPROVED:

Senator Ann O’Connell, Chairman

Date