

JOINT HEARING

Senate Committee on Federal, State and Local Governments
 Senate Committee on Taxation
 Assembly Committee on Government Affairs
 Assembly Committee on Taxation

A joint hearing of the above named committees was held on February 17, 1969, at 3:00 P.M. in the Senate Chamber. The purpose of this meeting was to hear a presentation of the Nevada Municipal Association with suggestions for a legislative program, and to consider the requests of various municipalities.

Those in attendance were:

James I. Gibson, Chairman)	
Warren L. Monroe)	
Vernon E. Bunker)	
Marvin L. White)	Senate Committee on Federal, State
Francis W. Farr)	and Local Governments
Chic Hecht)	
Carl Dodge)	
Hal Smith, Chairman)	
Norman Hilbrecht)	
David Branch)	Assembly Committee on Government Affairs
Don Mello)	
C. W. Lingenfelter)	
Virgil Getto)	
Joseph Dini)	
Tim Hafen, Chairman)	Assembly Committee on Taxation
Curt Blyth		Nevada Municipal Association
Senator Herr		
Senator Brown		Senate Committee on Taxation
Senator Slattery		Senate Committee on Taxation
Senator Christensen		Senate Committee on Taxation
Clay Lynch		City Manager, North Las Vegas
Carl A. Soderblom		Southern Pacific Railroad
E. L. Newton		Nevada Taxpayers Association
Richard Hanna		Attorney, Carson City
Del Heidrich		Personnel & Finance Director, Reno
Joe H. Latimore		City Manager, Reno
Clinton Wooster		City Attorney, Reno
Oran K. Gragson		Mayor, Las Vegas
A. R. Trelease		City Manager, Las Vegas
George F. Ogilvie		City Attorney, Las Vegas
Henry Etchemendy		City-County Manager, Ormsby-Carson
Felix Scott		Mayor, Winnemucca - President, Nevada Municipal Association

Press Representatives

Chairman Gibson called the meeting to order and stated that the hearing had been requested by Curt Blyth, representative of the Nevada Municipal Association, in order that he, and other members of his organization could acquaint the committees with the legislative program for which they are asking legislative support this year.

Mr. Blyth drew attention to a booklet which had been given to all committee members and stated that it outlined the Municipal Association's general approach and their legislative requests for this general session. He stated that it would be simpler to go through the first part of the booklet page by page and cover the items listed. He then read items 1 through 14 of the blue pages and items 1 through 10 of the yellow pages. (See attachment to these minutes.)

Upon completion of the reading, there were questions directed to Mr. Blyth from various members of the committees. Senator Slattery inquired as to (AB-154) the redistribution of the gaming table tax and the reply was that the Association as an Association had not taken a position on this particular subject. However, they have taken the position that all redistribution of revenue should be looked at -- as to where it comes from and where it goes. Mr. Blyth further pointed out that the total amount involved in the table tax is approximately \$1,050,000.00 -- and that regardless of how this amount was distributed in the State to the cities and counties, it would have very little effect, particularly considering the fact that the total combined budgets of roughly \$80,000,000.00. Chairman Gibson said he felt that AB-154 should not be considered at this time, since it was his understanding that the bill was dead in committee and would not be before the Senate for consideration.

Senator Brown asked what was expected in monies from the legislature for use in the cities. Mr. Blyth replied that as nearly as could be computed on a statewide basis, in the neighborhood of 10-12 million dollars per year. Senator Monroe questioned a point made in No. 5 of the blue sheets, regarding opening of bids and the timing of this. Mr. Blyth answered by explaining the convenience of opening bids several days before council meetings, in order to corrolate the bids, check mathematics, et cetera.

Chairman Smith noted that the Municipal Association had used the words "inconsistent and unpredictable" in No. 2(b) in regards to cash flow and questioned Mr. Blyth as to what situation brought about the use of these words. Mr. Blyth stated that where there is certain tax collected at the State level, it takes time, on the State level, to determine the reapportionment down to the county level. In some instances the counties have been something less than diligent in redistributing this out to the cities. He added that his Association felt no purpose was served by having it go from the collecting agency, through the county, to the cities and they felt it was much more direct and efficient to go directly to the final recipient. Mr. Latimore added that it has sometimes taken as much as six months from the time that the revenues have been collected by the State and reapportioned by the State Treasurer to the county -- and then sub-reapportioned from the county to the city.

To a question from Senator Dodge regarding help for the cities, Mr. Blyth replied that it has long been their approach that the size of the problem is determined by the size of the population. If "you have twice the people, you have twice the financial problem," the reason being, he feels, the difference between the value of a one-cent ad valorem tax to the county and to the city. For example, one cent to the county might mean \$75,000.00 -- but one cent to a city within that county might mean only \$1,600.00, and so "we get into a position of trading pennies on the rate, but we're not in the position of trading dollars." Mr. Blyth said that he felt it would be valuable to consider the idea of state distribution back to the cities themselves directly, bypassing the counties -- taking into consideration the fact that the counties then may be able to increase their ad valorem and in a much broader base than the cities did. He further stated that this was their approach and their thinking and suggested that the taxation committees give consideration to the possibilities of increasing the state rate.

In past years, it has been a rather consistent approach on the part of the Municipal Association for the State to reduce it's ad valorem tax or get out of it altogether. In the last three or four years that approach has been reversed, because a penny to the State means about a hundred and fifty thousand dollars in very round numbers -- that same penny to the individual cities means much less. He also said that in their continuing investigation of taxation they feel that consideration has to be given to state distribution back to cities only -- this relieves the ad valorem tax in there so that perhaps the counties can pick up a few pennies extra -- but somebody has to pay the taxes and the taxpayer is the only one that can pay it.

Senator Gibson asked Mr. Blyth if the proposals presented here were all in the process of being drafted. Mr. Blyth replied that a big majority of them are in the process of being drafted, but there are a few that some of the attorneys have been working on and they have not yet been submitted to the bill drafters office.

Another question was asked of Mr. Blyth regarding the rule of the Association for adoption of resolutions. He replied that it took a majority of the delegates present and pointed out that each city has five votes as long as they have that many people there -- there is no city that can cast more than five votes regardless of their membership at the annual meeting -- we have not yet arrived at the one-man one-vote situation. He further explained that these resolutions were adopted unanimously with a decided split on only one which was Resolution 68-10A, having to do with collective bargaining and negotiations.

Regarding special assessment districts, Mr. Blyth stated that their main proposal has to do with the ability of the assessing municipality or county to hurry the collections or foreclosure proceedings in the event there is a default by the property owner. He added that they do not contemplate, nor do they propose -- and he felt they would resist, any major change in the approach set forth in Chapter 271 of the special assessment district (act). He said it was important to understand that in talking about assessment districts, one may be talking about a "number of different animals." The

special assessment proceedings provided in Chapter 271 for cities and counties is something altogether different from the special assessment proceedings provided in the formation of general improvement districts and some of the more highly speculative types of district. He requested the legislature, in their consideration of these proposals and the bills that come forth, to keep this in mind. Any type of legislation, he said, could perhaps be abused and any governing body can, operating within the confines of that legislation, make mistakes -- but they don't feel that Chapter 271 is so faulty as to need a complete reversal or an overall review or revision.

Chairman Smith of the Assembly Committee asked if the problem of cities was inflation or were they performing new and additional services. Mr. Blyth responded that while this varies from city to city, he felt safe in saying that very few cities have undertaken new projects or additional services within the last few years. Most of the cost increases that have come along have been as the result of inflation. For example, some cities have reduced personnel in the last couple of years and yet their costs go up. One city has a five year capital improvement plan and one could assume that the term "five year" in the title means that they haven't been able to do anything about it for five years, because there is simply no money there. Mr. Blyth stated that inflation and population increase is the primary cause for increased city spending.

Chairman Smith then asked if the problem were indeed inflation, are new taxes going to be a long-term solution to it, or would it be necessary to continually seek new taxes to meet the ever-increasing inflationary trend. He questioned that perhaps we should really be addressing our thoughts to increasing the tax base in proportion to the inflationary trend in order to try to catch up. Mr. Blyth replied that this was why they had looked at the sales tax -- because, as inflation progresses, it inflates the prices upon which the tax is based. It is felt that the sales tax revenue will increase in proportion to the inflation.

Mr. Hafen stated that the Association's concept of getting into more responsive type taxes is probably a good one, but under Resolution 68-1, he asked if they were there recognizing that the counties throughout the State also had a similar problem with the cities, and as such, the \$.01 increase in the sales tax then would be probably something that would take care of the county and the city? He noted that Mr. Blyth had spoken of the cities needing 10-12 million dollars per year, and wondered how far the \$.01 sales tax would go, if it were to be split up with the counties. Mr. Blyth replied that within a county, the cities might be willing to give up some pennies on the ad valorem in return for a fair share of the sales tax that went back to that county. He said that they had tried to build into this approach a flexibility within the county. He stressed that this approach would solve the financial problems for quite some time to come -- because there would be flexibility within the county for this trade of ad valorem and sales tax money, and this will produce about 12½-13 million dollars. This amount, fed into local governments, would resolve most of the problems; and as long as it is based on a sales tax, he felt it would increase as inflation increases and population increases. He felt that it would be very productive and very fair.

Senator Farr stated that he had available figures on the \$.01. As an example, in Washoe County, with a \$.01 sales tax would develop another \$12,800,000.00. Assuming a \$.01 sales tax, with an average family of four, \$38.00 would be the normal contribution. Using the same figures that are available, the taxpayer would be saved \$11.00 when the tax base is broadened. Washoe County would receive a net gain, under this formula, of \$43,589.00. He explained the figures further and made the chart available to any interested persons. In conclusion, he said that he felt that if the tax base was broadened and the \$.01 sales tax used, the property tax should be reduced the equivalent. Senator Brown asked Senator Farr if he had taken into consideration the other entities that would be asking for the ad valorem part of their taxes that they are getting and that is being turned back over to them. Senator Farr replied that he had the figures on the other entities and there was further brief discussion on this.

Mr. Blyth interjected that there was a difference between the approach made by the Association and the particular type of legislation Senator Farr had delineated. He added that Senator Farr was assessing the optional features of the sales tax and the Association was discussing the mandatory features of the sales tax. He also made the point that the assumption that the schools are able to levy \$1.50, with or without justification, was felt to be wrong by the Association. It has been suggested, also, that rather than increase the sales tax that it be expanded to cover a much broader base and go into the area of the sale of services as well as the sale of goods. He said that this would be difficult to administer, difficult to write, and it is not known if anyone can truly give accurate figures as to the dollars that would result from this -- but that it is another approach to which consideration could be given, and might be one that would develop considerable revenue.

Mr. Blyth said that he knew of several cities that have expanded their sales tax into the service area -- and they have had months of difficulty in defining services and determining how the tax should be collected. This also leads to the very dangerous area of exclusion. He pointed out that the sales tax brings in money, and collects money from non-Nevadans to a great extent and of course, the services of Nevada's governments were rendered, also, to non-Nevadans; therefore, it is not unfair to tax the tourist and traveler coming in to provide the services the tourist and traveler requires, needs and brings about.

Chairman Gibson asked Mayor Gragson of Las Vegas if he would like to address the Hearing.

Mayor Gragson: My comments will be related to the City of Las Vegas only.

I would like to point out that in the last three years, our employees have had one 5% raise and the year that we granted that raise, our revenues fell short of our projection and we were required then to go into an emergency loan situation in order to provide that 5% raise for that year. We feel, in order to be competitive throughout the state -- especially in the State of Nevada and some of the counties -- that our employees should have a 15% raise. We should have that raise and a minimum of \$500,000.00 a year for repairing of our existing streets, because there are many areas where we could do minor overlays and our streets would be serviceable for

another 10-15 years. Otherwise, they are going to have to be completely rebuilt within 3-5 years. Everybody knows that we are in dire need in Las Vegas for a municipal complex, built hopefully, in joint endeavor with the State of Nevada for their government needs in the Clark County area. Should we do this, that would mean approximately -- an estimate -- \$880,000.00 to retire those bonds. That would mean that we would need, for that purpose only \$2,831,268.00 -- and our population is growing faster than any other part of the area and in order to keep up with our police protection, we need 55 additional police. That would mean an additional cost of \$533,000.37 -- the total increase that we need of \$3,364,305.00. Now, if our firemen's petition, which is in the courts now, is successful -- that would mean that we would have to have, then, \$3,761,912.00. Then, of course, should our police petition, which is going on the ballots in May, it would mean \$4,750,310.00. However, we do believe if we're able to provide these in our budget prior to the May elections, some kind of salary increase for the police department and our employees as a whole, that this petition will not be successful. We are awfully fearful if we aren't able to do something that this petition may likewise be successful when it goes to the voters.

As to the \$.01 sales tax, we have contended -- and I believe rightfully so -- that if there is any level of government that needs an instant tax, such as sales tax, that it is the local level. As new people come in -- and as new demands are put upon the people, that immediate tax is also there and it is people who create taxes and it is people who require services. I don't believe that there are any of you that can question that. People create the tax and it is people for whom the government must provide services and it is more pronounced on the local level than any other level of government. We know that last year Clark County produced \$13,000,221.00 with the 2% sales tax. Cutting that down to the local level to \$.01, which we are proposing, that would mean some \$7,750,000.00 to us. Giving that to Las Vegas on a population basis would mean somewhere in the neighborhood of \$3,500,000.00 to \$3,750,000.00.

This would mean, if we are successful, then, that we could either reduce our ad valorem tax to our minimum needs or either reduce our franchise fees back to near normal and make our merchants and our people in a little more competitive position with those in the county areas. And so, I can't emphasize too much the need of an instant growth tax to provide government services at the local level. I know that there has been much discussion about consolidation of service or perhaps that annexation of areas into the city. I can assure you that that would give us some relief, but it does seem that some of the people in the unincorporated areas do not wish to be annexed and again, you don't feel like going out and forcing people beyond their wills. However, that would, without any question, reduce the overall level of expenditure in Clark County. Then the ad valorem tax, of course, could be reduced at the local level. I must impress upon you here, now, however, that I believe that we must have some substantial revenue relief at our local level or we will be forced into a condition that will be much more chaotic than the one that we have just experienced with successful initiation of the firemen's petition. Thank you for this privilege.

(End of verbatim statement.)

There followed several questions directed to Mayor Gragson from the Committee members -- for further clarification of points which he had made. He further stressed that the City of Las Vegas had, at this point, reached the point of no return. If the situation continues, they would, he said, come to the point of diminishing returns on the tax basis that they have available to them now. Mr. Ogilvie, City Attorney for Las Vegas answered several points with legal implication.

Senator Monroe asked Mayor Gragson if a 1% sales tax increase were put on the ballot, would the people of Las Vegas vote for it? He replied that he couldn't honestly answer that, but he felt that they would do so, because they have demonstrated that they feel that the employees (their employees) are entitled to increases in their salaries.

Chairman Gibson then asked Mayor Scott for any remarks he might care to make.

Mayor Scott: I can only support Mayor Gragson's position as far as the small communities are concerned. We face pretty much the same situation. We're getting crowded out of the ad valorem field in our own community of Winnemucca. We've been crowded out from a \$2.40 rate to \$1.70. I anticipate going perhaps to \$1.60 this year, due to the fact that the schools will take their full \$1.50. There's probably a \$.75 bond figure (bond redemption). We have done several things to try to supplement our loss of revenue -- one was a surbond issue to build the plant and also to use these monies to pay for the operation of that plant with the sewer use to you that has been mentioned earlier. We have also increased our business licenses considerably to help alleviate this situation. These are about the only two avenues that we have to explore in our community. We do not own our own power and water system. Whether this is good or bad, I don't know. We are faced with that issue of refranchising or maybe considering the municipal operation of our power system this year. There are many philosophies attached to that, of course, political and also municipal. What the answer is to additional revenue at the state level, we can only say that the Association has directed the officers and the committees to the additional sales tax possibility and cigarette tax possibility.

Mr. Blyth: Using Senator Farr's figures, a \$.01 sales tax as applied in Humboldt County would yield to the City of Winnemucca, \$111,913.00 -- the equivalent of about \$1.26 on the rate. So there would be considerable effect in Winnemucca. Humboldt County would benefit to the extent of about the equivalent of a \$.34 rate.

Mayor Scott: This would be just the opposite of the existing ad valorem rate that we are forced to live with.

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Mr. Latimore: Members of the Committee, I would like to keep this very brief. Therefore, I've put most of our information down in report form, so that we could pass it out to you and you would have a chance to read it at a later date. I wanted to make two or three particular points in regards to our finances in the City of Reno. First, we have prepared our preliminary budget and will submit it to the City Council this week. The information on

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the budget calls for a \$.03 increase in our ad valorem tax, which we doubt that we will be able to get after talking to the schools and county. With our assessed valuation and considering the \$.03 increase in tax, we will raise only \$3,000,000.00 from our ad valorem tax, and with this as a portion of our \$13,000,000.00 budget -- you can see that we are not really looking to the ad valorem tax for our main source of revenue. We have listed in this report, the city's sources of revenue so that you might see that we are getting the majority of our revenues from our business licenses, liquor licenses, et cetera -- and not from our ad valorem taxes.

The statement was made here as to a possibility of spreading our tax base over a larger area. We have done this with the County, by combining some of our services in the health field, civil defense, and regional planning -- and things of this nature. But in an attempt to raise our own assessed valuation, we've noted on this report that this year our assessed valuation was increased only 2.4%. This is the smallest increase that we've had in many, many years. We've been looking for increases of 10-15% and as high as 19% in our assessed valuation -- but this year the assessed valuation did not increase even though we expanded the City by 50% in area and hopefully, quite a bit in population.

The budget that we have prepared to present to our Reno Council and the request that they approve this budget, calls for some additional funds. We've asked, in this budget, for approximately \$700,000.00 more than will be received from the current items of revenue. We've anticipated in this, the 3% increase in our ad valorem and we've anticipated the \$.03 increase in cigarette tax, which would raise for the City of Reno the amount of money required for this particular budget. The budget is a very minimum one and takes all of the reserves in our bond fund, so that if we are going to continue in our construction projects, we would need monies over and above these that are requested in this budget.

As far as our employees are concerned, we have considered in this budget, what I would term a very moderate increase in our salaries -- 3% increase as a cost of living increase. Our employees have asked for 9% plus longevity pay and we are feeling that we are very modest in putting into our budget a proposal for 3% -- but hopefully, if we can raise their salaries a little each year, we might avert some of the problems of going to the electorate for increases such as they have had in the Las Vegas area.

The amount of money we're talking about on ad valorem levy would be equivalent to about \$.28. I don't think there is any possibilities of gaining that kind of money out of the ad valorem tax; therefore, we feel that we must look to the legislature to assist the cities in gaining that revenue. You'll note from the amount of money raised from our licenses that the city has through the past years increased those licenses to what we consider close to the maximum. We have doubled the business licenses in the last 10 years -- there have been two raises that have gone in. We increased our slot machine licenses from \$60.00 to \$100.00 and increased our liquor licenses proportionately. We think that this is about as high as we can go on these licenses and still keep our business men in operation in the City. So we hope that you will give very serious consideration to increased revenues for the cities through the cigarette tax increase or the \$.01 sales tax increase or whatever other source that you may find available here to give us assistance. Thank you for a chance to talk.

(End of verbatim statement.)

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Chairman Gibson spoke of the Committees appreciation of hearing an "overview" of the various situations. He then adjourned the Joint Hearing and asked the Committee on Government Affairs from the Assembly to stay. He then entertained a motion for appointment of a chairman of the Joint Committee for the purpose of the study into municipal finances. He added that they had pledged to the members of the two Houses that the Joint Committee will only function in a minimum form necessary to clear up this particular study. We will not, as a Joint Committee, he said, consider items of legislation. The two Committees, independent of each other will protect their prerogatives in that matter, but we do need to follow the intent of the concurrent resolution to the point of designating a Chairman of the Joint Committee -- and then turn to the business of the authority to retain the auditor the Committee would like to employ to make the study. Senator White then nominated Senator Gibson for the position of Chairman in this joint study, and it was seconded by Assemblyman Hilbrecht. Vote was unanimous for this.

Senator Dodge moved to retain the firm of Kafoury and Armstrong in Reno for purpose of the designated study, seconded by Assemblyman Hilbrecht and vote was unanimous for this.

Senator White spoke briefly of having heard from the president of the auditing firm that had done the original audit for North Las Vegas -- stating that they, in turn, had heard that they were not being used for this study because of being in "ill repute". It was made a matter for the record that this was not the case. The retention of Kafoury and Armstrong was for a separate and independent study to that previously made by the Las Vegas firm.

There being no further business, Chairman Gibson adjourned the meeting.

Respectfully submitted,

Patricia F. Burke
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Committee Secretary

NEVADA MUNICIPAL ASSOCIATION

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LEGISLATIVE PROGRAM

NEVADA MUNICIPAL ASSOCIATION
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1. SALES AND USE TAX EXEMPTIONS (Resolution No. 68-3)

While this Association has no particular criticism of the theory that religious and charitable institutions should be exempt from these taxes, we do believe that present law and/or rules and regulations allow exemptions to organizations which carry on activities not capable of being defined as strictly religious or charitable.

We believe that such tax exemptions should be limited to the religious and charitable activities involved.

The Legislative Counsel Bureau has been asked to prepare appropriate legislation.

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2. TAX DISTRIBUTION METHODS (Resolution No. 68-4)

- (a) At the present time, certain tax revenues are being redistributed to local government entities on an historic, political and outmoded basis. It is our belief that the distribution of taxes would be more equitable if these revenues were distributed on the basis of population, demonstrable need or site of collection.

We call your special attention to Assembly Bill No. 154 which would revise the method of distribution of the "table tax," returning the license fees collected under the provisions of NRS 463.380 to the county of origin. We suggest consideration of a further amendment which would require redistribution of the money within each county on a city-county population basis.

- (b) At the present time, certain state collected taxes are redistributed to cities through county governments. There have been occasions when such distribution and redistribution has

been so slow as to cause hardship and difficulty to local governments because of inconsistent and unpredictable cash flows.

We request that legislation be drafted which would require prompt distribution of these various revenues direct to the final recipient.

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3. INITIATIVE AND REFERENDUM (Resolution No. 68-6)

- (a) We recognize the advisability and advantage of those statutes which effectuate the constitutional guarantees of the rights of initiative and referendum. However, we are of the opinion that present statutes can be and have been used in a manner which can create fiscal chaos, to the detriment of the general public.

For this reason we strongly urge favorable consideration of Senate Bill No. 58 and Senate Joint Resolution No. 1.

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4. EMPLOYER-EMPLOYEE RELATIONS (Resolution 68-10A)

We recognize that there are occasions when public employees justifiably have been concerned and disturbed over wage and salary scales, fringe benefits, working conditions and other conditions of employment. However, we urge that the legislature and the people recognize that the primary cause of these difficulties is the lack of flexibility in local government authority and the lack of adequate revenues to resolve the problems which exist.

We further urge that the legislature recognize the distinct differences between public and private employment in the area of employer-employee relations.

It is our opinion that the problems inherent in present day employer-employee relations be left to local governments to resolve and that local governments be granted the necessary authority and the necessary financial capabilities to resolve these problems.

The imposition of collective bargaining requirements on local governments will not and cannot resolve these problems. Indeed, such an imposition will certainly enlarge our problems and make them even less capable of solution.

NOTES:

5. LOCAL GOVERNMENT PURCHASING (Resolution No. 68-11)

The present act has given us many problems and more than a few headaches.

- (a) Experience has shown that some of the time requirements for advertising and asking for bids are unrealistic and do not tie in well with meeting schedules and newspaper publication dates. We are proposing corrective amendments.
- (b) There are times when it is distinctly advantageous to the general public to purchase equipment and supplies which tie in with, or match up with equipment and supplies already owned. We are proposing amendments which will recognize this fact.
- (c) The necessity for emergency purchasing is recognized in the present act. We are suggesting amendments which will more nearly match up the statutory requirements with prevailing administrative practices.
- (d) Present law requires the opening of bids "...at a regular or special meeting of the governing body." We are suggesting amendments which will allow the opening of bids, publicly and in accordance with notice, at a time and place more convenient to both the local governments and the bidders. This will enable both the administration staff of the local governments and the competing bidders to check, correlate and evaluate bids before submission to the governing body for final disposition.

- (e) The present law appears to make no specific allowance for "trade-in" of outdated equipment nor for the simple auction sale of unneeded personal property. We are proposing amendments to accomplish this.

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6. RIGHTS OF WAY ACQUISITION AND DISPOSAL (Resolution No. 68-13)

- (a) Experience has shown that it may well be advantageous and more economical to acquire an entire piece of property rather than only that portion actually required for public use. This is particularly true in those instances where the remaining piece of property is of such an irregular size, shape or condition as to be of little value and where damage claims and litigation, when added to compensation for that portion taken, would equal or exceed the value of the whole parcel.
- (b) We are requesting amendments which will recognize the enhancement in value of the uncondemned portion of property and that this increased value may be used as an "off-set" in the determination of the value of the property actually acquired.
- (c) We are requesting additional amendments which will clarify and make more equitable the procedures to be used in the disposal of unneeded property and rights of way.

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7. ANNEXATION (Resolution No. 68-14)

We are proposing legislative amendments to clarify and further define the provision of the statutes affecting annexations by cities in counties having less than 120,000 population.

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8. LOCAL GOVERNMENT BUDGET LAW (Resolution No. 68-15)

Legislation has already been introduced which would appear to put the recommendations of the Local Government Budget Advisory Committee into effect. However, the Advisory Committee has since altered its approach and either amendments or new legislation will be drafted.

NOTES:

9. SPECIAL ASSESSMENT ACT (Resolution No. 68-16)

We are suggesting several amendments to Chapter 271 of the statutes and matching amendments to city charters where appropriate.

Senate Bill No. 74, if adopted, will accomplish certain of our objectives. Additional legislation regarding other special assessment procedures is also being drafted.

NOTES:

10. TAX COMMISSION MEMBERSHIP (Resolution No. 68-18)

In order that the Tax Commission be more responsive and that it have more broadly based membership, we are proposing the addition of three county assessors and two municipal officials to the membership of the Commission.

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11. EMPLOYMENT SECURITY RECORDS

In some of our cities, certain types of business licensing are based on numbers of employees, periods of operation, etc. Administration of business licensing would be much more efficient, economical and equitable were these cities able to acquire certain information from the Department of Employment Security.

We are not requesting access to information pertaining to individual employees nor to information which might be considered confidential.

Before requesting drafts of legislation, we will consult with representatives of the Department of Employment Security.

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12. PROPERTY ACQUISITION - TAX DEEDS

From time to time it becomes necessary for cities to acquire land for rights of way and other public purposes. On occasion, these properties are tax delinquent and the counties may have acquired or may be in the process of acquiring title through tax sales.

We are proposing legislation which would provide for a simple and direct method of transfer of title from a county to a city. The city would expect to pay back taxes, penalties, interest, etc., in the same amount as a private purchaser.

NOTES:

13. INVESTMENT OF IDLE FUNDS

Present law (NRS 355.170) limits certain investments in federal or federally guaranteed securities to certain types and to those which mature in ten years or less. We are proposing legislation which will eliminate the maturity length limitations and which will clarify and up-date statutory references to certain types of federal securities.

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14. BUSINESS LICENSING

NRS 365.210 has been interpreted by some as eliminating the right of local governments to license certain motor vehicle fuel distributors, transportors, etc. We believe this to be an inappropriate determination and are requesting legislation which will eliminate the conflict.

NOTES:

R E V E N U E S

At the 1968 Annual Conference, this Association's membership adopted three resolutions relating directly to local government revenues. These are Resolutions 68-1, 68-2 and 68-5.

1. SALES TAX INCREASE (Resolution No. 68-1)

Resolution No. 68-1 calls for legislative imposition of an "additional 1% mandatory county of origin sales tax which is to be returned to the county and distributed within the county on the basis of population or by any other method mutually and unanimously approved."

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2. CIGARETTE TAX (Resolution No. 68-2)

Resolution No. 68-2 calls for an increase in the cigarette tax from 7¢ per pack to 10¢ per pack. We propose that the revenue resulting from this tax be distributed in the same manner as the present cigarette tax is now being distributed.

NOTES:

3. OTHER REVENUE SOURCES (Resolution No. 68-5)

At the time of this Association's Annual Conference, the Governor's Advisory Committee on State and Local Revenues and Expenditures was still considering basic revenue problems. On October 18, we submitted a statement to that committee summarizing the position of the Nevada Municipal Association with respect to the problem facing municipalities. Appropriate portions of that summary are set forth below:

1. The Nevada Municipal Association represents sixteen incorporated municipal entities in the state. It is a non-profit association and is supported by dues paid by the member cities.
2. The Association's presentation of municipal fiscal problems must be general in character. While every city in the state experiences financial difficulty, this difficulty may be evidenced in different ways in each individual city. One city may feel its greatest need in the area of public safety, another in the area of public works, another in the area of parks and recreation.

In addition to the variation in activity emphasis, there is considerable variation in type and organization of municipal government. The seventeen incorporated municipalities within the state have fourteen different systems of government. Only four operate under the general state statutes. The other thirteen have either legislatively granted charters or charters adopted by local referendum.

The variations of form of government and the variations of emphasis by city governments is not necessarily an inherently bad feature. It is essential to the generally accepted concepts of government that a maximum flexibility of response in local government be retained.

3. The ability of local government to respond to the needs of its citizens is severely limited in Nevada by local government's inability to develop a satisfactory, stable, long-range fiscal program. Revenue sources are so limited that most local governments are engaged in a constant struggle to maintain an existence.
4. While there is a general, overall shortage of funds and revenue resources, the most severe problems evidence themselves in two major areas: personnel costs and capital improvements.

The cost of personal services is the largest single item in local government budgets. Continuing inflationary pressures create constant upward trends in spending for personal services. In addition, current activity involving employee groups and their requests for increased compensation have created another continuing influence on this level of expenditures.

Capital improvements are almost non-existent in local government budgets when compared with need. Local governments find it necessary to "postpone" capital improvements year after year with resulting increases in amounts spent for operating and maintaining capital items which should have been replaced long ago.

5. The actual magnitude of local government expenditures is little recognized and understood. 1968-1969 budget summaries indicate that the combined fund requirements of counties, cities and towns (excluding education) total in excess of \$80,000,000. This figure excludes local spending by special authorities which do not levy an advalorem tax.
6. Inflationary pressures affect local governments at least as much as they affect any activity, probably more, since such a high percentage of total spending is attributable to the cost of personal services.

On the average, the costs of local government materials, supplies, services, personal services and all other items increases from six to ten percent per year.

Even if services were not expanded, if needs remained stable, if no significant progress were made, the cost of local government would increase from \$4,800,000 to \$8,000,000 per year. No such increase in funding has ever been experienced.

As a result, it is almost inevitable that local government services will continue to deteriorate at a rapidly increasing rate - unless something is done.

7. Can solutions be found? That is this Committee's assigned function.

The Nevada Municipal Association adopted a series of resolutions at its October 4 and 5, 1968 Annual Conference. We believe that they can serve as a guide in the search for solutions to local government problems. Copies of these resolutions are attached.

8. We would like to call the Committee's particular attention to the proposals for sales tax modification. We would particularly like to receive the benefits of a staff study of:

- (a) The affect of the broadening of the sales and use tax base to include all transactions.
 - (b) The affect of the narrowing of the sales and use tax base by eliminating unprepared foods and prescription drugs from the base.
9. It has been and is being suggested that any sales or use tax levy for local government purposes should be optional with the local governments affected. This approach has been exhaustively discussed and has been rejected by the members of this Association.
- (a) Who exercises the option and how is it to be exercised? Would a County Commission be empowered to exercise the option? Would the option be exercised by a combination of city and county governing bodies? Would a referendum be required? Would the option be exercised by resolution or by ordinance?
 - (b) Are counties the most logical bases for exercise of local option?, or should the option be exercisable by "economic area" including perhaps four or five counties?
 - (c) Would the very real interests and pressures of competing business interests prevent the exercise of the option?

The idea of optional taxing has tremendous appeal, but it should be remembered that almost all local government taxes are already optional and that local governments generally have been foreclosed from exercising any judgment in these "options" because of local governments desperate financial condition.

For example, the property tax itself is optional and on an annual and infinitely variable basis (except for the \$5.00 limit) yet, in reality, this option no longer exists. It is our belief that the levying of a local government sales and use tax would restore the optional features of the property tax and other locally levied and collected taxes, fees and charges.

In the opinion of this Association's members, in the event a local sales and use tax is levied, some protection of the property tax base should be "built in"

to other statutes relating to this tax. Local governments would be understandably reluctant to reflect sales tax revenues in a property tax reduction if it merely "opened the door" for other taxing units to increase the total levy back up to the \$5.00 limit in every jurisdiction.

10. We also suggest a study of the affect of an increase of the state government's share of the advalorem tax, the possible pre-emption of all gaming taxes by the state, and the possible reassignment of other tax resources to local governments.

Without question, the largest and most difficult problem facing local government is the problem of trying to respond to the needs of their residents with the financial resources now available. It simply cannot be done.

We believe that a large majority of the members of the legislature are prepared to be of assistance to us and to the hundreds of thousands of people we represent and are trying our very best to serve. However, we also believe that there may be a lack of awareness concerning the magnitude of our needs.

We make no claim to having arrived at the only solutions to our problems. We are more than willing = we are eager to get the reactions, comments and suggestions of the members of the legislature.

After all, we all work for the same people.

SENATE COMMITTEE

on

FEDERAL, STATE AND LOCAL GOVERNMENTS