

STUDY OF THE FISCAL EFFECTS UPON
COUNTIES OF THE INCORPORATION
OF CITIES UNDER GENERAL
LAW



Bulletin No. 89-15

LEGISLATIVE COMMISSION
OF THE
LEGISLATIVE COUNSEL BUREAU
STATE OF NEVADA

OCTOBER 1988

STUDY OF THE FISCAL EFFECTS UPON COUNTIES
OF THE INCORPORATION OF CITIES
UNDER GENERAL LAW

BULLETIN NO. 89-15

Legislative Commission
of the
Legislative Counsel Bureau
State of Nevada

October 1988

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Assembly Concurrent Resolution No. 47 (File No. 153, <u>Statutes of Nevada 1987</u>) | iii |
| Report of the Legislative Commission. | v |
| Summary of Recommendations. | vii |
| Report to the 65th Session of the Nevada Legislature by the Legislative Commission's Subcommittee to Study the Fiscal Effects upon Counties of the Incorporation of Cities Under General Law | 1 |
| I. Introduction | 1 |
| II. October 16, 1987, Meeting. | 1 |
| III. December 10, 1987, Meeting | 3 |
| IV. February 10, 1988, Meeting | 4 |
| V. April 28, 1988, Meeting. | 5 |
| VI. May 19, 1988, Meeting. | 7 |
| VII. Findings and Recommendations | 7 |
| A. Assumption of Resources of Local Government No Longer in Existence by Other Local Governments. | 7 |
| B. Merger of Special District upon Incorporation of City Encompassing District. | 8 |
| C. Procedures for Incorporation of New Cities | 8 |
| D. Compensation of Certain Counties and Cities for Effect of Incorporation of New City. | 9 |
| E. Calculation of Maximum Allowable Revenue of Certain Local Governments. | 9 |
| VIII. Credits. | 11 |
| IX. Appendices | 13 |

Assembly Concurrent Resolution No. 47--Assemblymen Thompson,
Bergevin, Garner, McGaughey, Freeman, Brookman, Kerns,
Lambert, May, Adler, Banner, Craddock and Nevin

FILE NUMBER.....

ASSEMBLY CONCURRENT RESOLUTION--Directing the Legislative Commission to
conduct an interim study of the fiscal effects upon counties of the incorporation of
cities under general law.

WHEREAS, The counties of this state have limited means by which to raise
revenue to pay the costs of the services they provide; and

WHEREAS, A county rarely has sufficient reserves to cushion the effects of
the incorporation of part of its territory; and

WHEREAS, Chapter 266 of NRS provides for incorporation at the request
of the majority of qualified electors who are the owners of real property
within the limits of the area to be incorporated; and

WHEREAS, In practical effects this allows a small minority of voters to
control the fate of the rest of the residents of the affected county; now,
therefore, be it

RESOLVED BY THE ASSEMBLY OF THE STATE OF NEVADA, THE SENATE
CONCURRING, That the Legislative Commission is hereby directed to conduct
a comprehensive study of the fiscal effects upon the counties of the
incorporation of cities by general law; and be it further

RESOLVED, That the study should include, but not be limited to:

1. Identifying the sources of revenue of the counties and the amounts
derived from each source;
 2. Evaluating the costs of the services required to be provided for and by
the counties and the sources of revenue used to pay those costs;
 3. Considering the manner in which general law currently provides for
incorporation; and
 4. Examining the practical effect such an incorporation has on the rest of
the residents in the affected county;
- and be it further

RESOLVED, That the results of the study and any recommended legislation
be submitted to the 65th session of the Legislature.

REPORT OF THE LEGISLATIVE COMMISSION
TO THE MEMBERS OF THE 65TH SESSION OF THE NEVADA LEGISLATURE:

This report is submitted in compliance with Assembly Concurrent Resolution No. 47 which directs the legislative commission to study the fiscal effects upon counties of the incorporation of cities under general law. The resolution requires that the results of the study and any recommended legislation be submitted to the 65th session of the Legislature.

The legislative commission appointed the following members to a subcommittee to conduct the study:

Assemblyman John E. "Jack" Jeffrey, Chairman
Senator James I. Gibson, Vice Chairman

| | |
|---------------------------------|-------------------------------|
| Senator Charles W. Joerg | Assemblyman Val Z. Garner |
| Assemblyman Joseph E. Dini, Jr. | Assemblyman Leonard V. Nevin |
| Assemblyman Robert W. Fay | Assemblyman Danny L. Thompson |

Legislative counsel bureau staff services for the subcommittee were provided by Ted Zuend of the fiscal division (principal staff), Brenda Erdoes of the legal division (legal counsel) and Charlotte Adams of the fiscal division (subcommittee secretary).

This report presents the findings and recommendations of the subcommittee. The information which bears directly upon recommendations is included either in the narrative or appendices. All supporting documents and minutes are available to any member from the fiscal analysis division of the legislative counsel bureau.

This report is transmitted to the members of the 1989 Legislature for consideration and appropriate action.

Respectfully submitted,

Legislative Commission
Legislative Counsel Bureau
State of Nevada

Carson City, Nevada
August 1988

LEGISLATIVE COMMISSION

Senator Lawrence E. Jacobsen, Chairman
Senator Sue Wagner, Vice Chairman

| | |
|---------------------------------|---------------------------------|
| Senator James I. Gibson | Assemblyman Joseph E. Dini, Jr. |
| Senator Nicholas J. "Nick" Horn | Assemblyman John B. DuBois |
| Senator Ann O'Connell | Assemblyman Robert M. Sader |
| Senator John M. Vergiels | Assemblyman Jim Schofield |
| Assemblyman Louis W. Bergevin | Assemblyman Danny L. Thompson |

SUMMARY OF RECOMMENDATIONS

This summary represents the major conclusions reached by the subcommittee. These conclusions are based upon: (1) suggestions made to the subcommittee by representatives from the public and private sector familiar with the consequences of an incorporation; and (2) the experience and knowledge of the members of the subcommittee.

The subcommittee recommends:

1. That NRS 354.5982 be amended to allow any local government or combination of local governments to take over the functions and resources of any local government that no longer exists. (BDR 31-140)
2. That the statutes be amended to require that proceedings for the merger of certain special districts be commenced upon the incorporation of a city encompassing such a district. (BDR 21-141)
3. That the statutes be amended as follows: To require an estimate of the fiscal effect of a proposed incorporation of a new city be approved by the local government advisory committee and included on the ballot for the election; and to make certain technical corrections to the provisions governing the incorporation of cities. (BDR 21-142)
4. That NRS 354.5988 be amended to allow a distribution from the reserve fund for the supplemental city-county relief tax to temporarily compensate certain counties and cities for the effect of the incorporation of a new city. (BDR 31-143)
5. That NRS 354.5987 be amended as follows: To exclude new cities from the countywide combined allowable revenue limit to allow both the county government and the new city government to provide the basic services for which they have been created; and to clarify the transfer of revenues that is required when a function previously performed by one local government is to be performed by another local government, other than a new city. (BDR 31-144)

REPORT TO THE 65TH SESSION OF THE NEVADA LEGISLATURE
BY THE LEGISLATIVE COMMISSION'S SUBCOMMITTEE TO
STUDY THE FISCAL EFFECTS UPON COUNTIES OF THE
INCORPORATION OF CITIES UNDER GENERAL LAW

I. Introduction

The 1987 session of the Nevada legislature adopted Assembly Concurrent Resolution No. 47 which instructs the legislative commission to study the fiscal effects upon counties of the incorporation of cities under general law. The need for the study became apparent during testimony on Assembly Bill No. 4 (Chapter 6, Statutes of Nevada, 1987) which placed a temporary moratorium in certain counties upon incorporation under general law and Assembly Bill No. 508 (Chapter 712, Statutes of Nevada, 1987) which revised the procedure for incorporating a city. It was felt that under current law, the decision to incorporate by a small number of voters in an area has undue impact on residents elsewhere in the county. Also, a county rarely has sufficient reserves to cushion the effects of a new incorporation.

The legislative commission appointed an eight-member subcommittee to conduct the study. The subcommittee held five meetings:

1. October 16, 1987, in Las Vegas
2. December 10, 1987, in Carson City
3. February 10, 1988, in Las Vegas
4. April 28, 1988, in Carson City
5. May 19, 1988, in Carson City

The subcommittee received considerable testimony regarding the problems caused by a new incorporation. A list of the persons who testified before the subcommittee is included in the "Credits" section of this report.

II. October 16, 1987, Meeting

The assistant county manager of Clark County told the subcommittee that if an incorporation occurs in Clark County both the county and the existing cities in the county would lose considerable revenue and, under the revenue caps, have no way to make up

such a loss. He noted that after an incorporation, the county would still be providing services such as the court system, property assessments and road maintenance in the newly incorporated area. Because of the vagueness of the laws relating to the transfer of revenues from the county to the new city, Clark County was particularly concerned that such a transfer could eliminate the county's ability to maintain the same level of services to all of its residents.

The City of Las Vegas, through its spokesman, demonstrated how a new city in Clark County with a population of 10,000 would reduce Las Vegas revenues (primarily sales, cigarette and liquor taxes) by nearly \$1 million. In addition, Las Vegas would also be required to fund a greater share of the metropolitan police department if the new city established a separate police department. A new city in Clark County would force Las Vegas and other cities in Clark County to reduce service levels to match the automatic loss of revenues. Las Vegas felt that to adequately address the fiscal problems of cities caused by a new city would require a substantial overhaul of the tax distribution formulas.

The assistant city manager of North Las Vegas supported the concerns raised by Las Vegas over the loss of revenue when a new city is created. She offered a proposal to address the revenue shortfall caused by the new incorporation. The proposal consisted of using a portion of surplus supplemental city-county relief tax (SCCRT) revenues to compensate affected cities for all of their loss for a minimum of one year. A copy of the North Las Vegas proposal is included as appendix A of this report.

There was considerable discussion between the subcommittee members, the city manager of Henderson and other representatives regarding the population estimates used to allocate many of the revenues being discussed. The discussion focused on the fact that the total revenue amount is fixed while the allocation mechanism is subject to considerable error. The revenues of a particular city, therefore, can be significantly affected by inaccurate population estimates.

In all, eight specific suggestions to moderate the effects of incorporations were made at this meeting. A summary of the eight proposals is presented as appendix B.

III. December 10, 1987, Meeting

The subcommittee heard from the Douglas County Manager about that county's concerns over the proposed incorporation at Lake Tahoe. He pointed out that Douglas County would lose about \$1.5 million if the incorporation was approved by the voters. He noted that the county would still be required to provide the justice court, district attorney service, juvenile probation, election services, tax collection and appraisal within the city. Further complicating the situation was the county's role in relation to the many general improvement districts which would continue to operate within the new city. The county manager felt that the ultimate result of a city at Lake Tahoe would be an increase in taxes for all residents of Douglas County.

A supporter of the Lake Tahoe incorporation felt that the residents at the lake faced the old problem of "taxation without representation." She noted that much of Douglas County revenues were generated because of the casino activity at the lake. She believed it to be both unwise and unfair for the county to rely on revenues from the economically static lake area to support the rapidly growing valley portions of the county.

A resident of the Lake Tahoe area felt that a major problem with the proposed incorporation of Lake Tahoe was the lack of unbiased fiscal data regarding the effects of such an incorporation. He felt that a group such as the legislative counsel bureau would be best able to prepare a fair analysis of the effects of this or any other incorporation.

Responding to questions from the subcommittee, a deputy director of the department of taxation felt it was imperative that the parties affected by the incorporation at the lake or in any other area reach agreement on the transfer of revenues under the limitation formulas before seeking the approval of the tax commission. She felt that the tax commission did not have enough information available to fairly arbitrate differences between the county and the new city. She noted, however, that under existing law the commission would have to do just that when the affected parties cannot agree.

The director of the Nevada League of Cities noted that the possibility of incorporation has been discussed in various communities across the state and is not an issue that can be ignored.

IV. February 10, 1988, Meeting

The subcommittee again heard from the deputy director of the department of taxation. She explained the department's and the tax commission's roles relating to a new incorporation. She presented the subcommittee a "what if" example of a possible determination regarding the transfer of resources from a county to the new city in the case of the proposed incorporation at Lake Tahoe. According to the analysis presented, a Lake Tahoe incorporation could financially affect all governmental units in Douglas County, not just the county government and the new city.

Discussing a separate matter, the deputy director pointed out that mergers of governmental units is discouraged under current law. The only case where a merger is likely is when a county assumes the services of another government because only a county government is authorized by statute to assume the former government's operating revenues. This creates a special problem in the case of Lake Tahoe because a new city could not receive revenue to take over the services provided by any or all of the general improvement districts within its boundaries.

In response to comments from members of the subcommittee concerning how much information persons affected by the incorporation received, the deputy director said that she told persons at a public hearing on the Lake Tahoe incorporation that if another level of government is created it has to be funded. The amounts were still in dispute because representatives from the county and the proposed city had not agreed on which services would be transferred. Also, there was not a clear picture of the types and amount of services the new city would provide.

Representatives from Clark County offered a proposal, which is included as appendix C, to clarify the transfer of resources from a county to a new city when that city replaces a town. In that case, they felt that the new city should only receive the amount of revenue previously allowed to the town. Any additional revenue should be raised through a levy on the property owners of the new city or possibly from a share of the statewide SCCRT revenues. In response to a subcommittee member's question, the assistant county manager of Clark County pointed out that A.B. 508 neither requires nor precludes the inclusion of fiscal information on an incorporation ballot question.

The finance director of the City of Las Vegas noted that sales tax revenues under the existing tax limitations will always pose a problem when a new city is created. Sales taxes provide a

given amount of revenue each year and the more it is divided up, the less everyone else receives. He pointed out that the two-tier distribution of SCCRT causes inequities because different governments receive vastly different shares of their allowed revenue from sales taxes. He suggested changing the distribution formula to grant each entity the same share of allowed revenue from sales taxes.

A discussion ensued between subcommittee members and the finance director over what to do about the automatic loss of population-based taxes in certain entities when a new city incorporates in the same county. Suggestions included using out-of-state sales tax revenues or surplus revenues from a minimum property tax levy or existing SCCRT revenues to compensate the affected governments for some period of time.

Additional discussion between subcommittee members and others present concerned how best to ensure that the public receives the necessary fiscal information before the incorporation question is voted upon. There was general agreement that some group independent of the incorporation question should make a determination of the estimated fiscal effects and that a statement of the fiscal effects should be included on the ballot.

One final discussion focused on the need to encourage special districts to merge into a new city when they are located within that city. It was agreed that would be a favorable outcome if such mergers were not forced upon unwilling governments.

V. April 28, 1988, Meeting

The subcommittee considered six general issues to be addressed through possible bill draft requests.

The first issue concerned changing the distribution of the supplemental city-county relief tax from the current two-step distribution formula to a distribution based solely on the relative maximum allowable revenue of each of the eligible local governments. This alternative would cause each entity to receive the same share of its allowable revenue from SCCRT revenues. Also, each entity would need an ad valorem tax to receive all of its allowed revenue. The subcommittee voted to not request a bill draft of this alternative because it would increase property tax rates in certain areas by as much as 23¢ per \$100 of assessed valuation.

The second issue focused on exempting a new city from the combined intracounty revenue limitations pursuant to NRS 354.5987 and clarifying the intent of that statute to ensure that it would be consistently administered by the Nevada tax commission. The subcommittee felt that the current provisions were inadequate and recommended that a bill be drafted for consideration at the next meeting.

The third issue concerned instituting a requirement that an independent fiscal analysis of the effects of a new city be included with the incorporation ballot question. After some discussion, the subcommittee agreed that the local government advisory committee, with staff support from the department of taxation, would be best able to do the fiscal analysis. After receiving information from persons involved in the Lake Tahoe incorporation regarding technical problems associated with the new incorporation law (A.B. 508 of the 1987 session), the subcommittee decided to include the fiscal analysis requirement and the technical changes into a single bill draft request.

The fourth issue dealt with the possibility that general improvement districts would continue to exist within a new city and be performing services similar to those usually provided by a city. The subcommittee felt that the fairest way to resolve this problem was to require the governing county commission, after a new city has been formed, to initiate the procedures for a merger of any special district into that city as already provided in statute. This will result in a fair hearing regarding why such a merger should or should not take place. A bill draft on this subject was requested by the subcommittee.

The fifth issue concerned the automatic loss of population-based tax revenue which certain counties and cities experience when a new city incorporates. The impact occurs on counties with one pre-existing city and on cities when there are at least two pre-existing cities. A majority of the subcommittee believed that these losses should be offset in whole or in part for a limited period through a special distribution from the SCCRT reserve fund. Under this approach, the affected county or cities are given time to adjust to the loss of revenue, which is made up by all governments which receive SCCRT revenue. The subcommittee requested a bill draft to address this issue.

The final issue, which is in part related to the possible merger of special districts into a newly incorporated city, has to do with the lack of incentives under current law for mergers or consolidations of governments. The subcommittee requested a bill

draft to allow any government to take over the services provided by another government and receive the ad valorem and SCCRT revenues of that government. Under current law, only counties are allowed to do this.

VI. May 19, 1988, Meeting

The subcommittee reviewed each of the five bill drafts prepared by legislative counsel. Although subcommittee members expressed some concerns over particular aspects of a couple of the bills, the subcommittee as a whole felt it imperative that the issues addressed by the bill drafts be fully discussed during the 1989 session of the legislature. The subcommittee, therefore, recommended each bill for consideration at the next legislative session. The bill draft pertaining to the preparation of fiscal analysis of a proposed incorporation was amended by the subcommittee to lengthen the time frame for the preparation and inclusion of the fiscal analysis statement on the ballot.

VII. Findings and Recommendations

This section represents the subcommittee's recommendations regarding ways to reduce the fiscal effects upon counties of the incorporation of cities under general law.

A. Assumption of Resources of Local Government No Longer in Existence by Other Local Governments.

There are many areas throughout Nevada where the merger or consolidation of local governments may provide significant benefits to taxpayers and residents of those areas. At the urging of the Nevada Association of Counties, the 1987 legislature adopted A.B. 322 (Chapter 572, Statutes of Nevada, 1987) which allowed a county to receive the SCCRT and ad valorem revenues of a local government whose functions it assumes. To encourage the consolidation of local governments, the same provisions must apply to cities and special districts as well.

The subcommittee, therefore, recommends:

1. That NRS 354.5982 be amended to allow any local government or combination of local governments to take over the functions and resources of any local government that no longer exists. (BDR 31-140)

B. Merger of Special District upon Incorporation of City Encompassing District.

The incorporation of a city at Lake Tahoe, had it been approved by the voters, would have created a situation where many general improvement districts would have continued to exist within the boundaries of the new city. There are areas elsewhere in the state where this situation will occur if an incorporation takes place. Because these districts often provide services commonly provided by cities, it seems reasonable that at least some should be merged with the city. Consideration of the possible mergers should occur only after the new city is incorporated.

The subcommittee, therefore, recommends:

2. That the statutes be amended to require that proceedings for the merger of certain special districts be commenced upon the incorporation of a city encompassing such a district. (BDR 21-141)

C. Procedures for Incorporation of New Cities.

The incorporation of a new city is likely to have a significant financial effect on its potential residents. Based on the experience of the residents affected by the proposed incorporation at Lake Tahoe, it is clear that they voted upon the incorporation without clear knowledge of that effect. Also discovered because of the proposed incorporation of Lake Tahoe were certain technical problems associated with A.B. 508 (Chapter 712, Statutes of Nevada, 1987), the new law governing incorporations, including the failure to identify the officers of the city to be elected at the initial election, an excessively short time span to prepare the ballots and the lack of resources to organize the new city.

The subcommittee, therefore, recommends:

3. That the statutes be amended as follows: To require an estimate of the fiscal effect of a proposed incorporation of a new city be approved by the local government advisory committee and included on the ballot for the election; and to make certain technical corrections to the provisions governing the incorporation of cities. (BDR 21-142)

D. Compensation of Certain Counties and Cities for Effect of Incorporation of New City.

When a new city incorporates in a county with one or more cities, an undue and permanent loss of population-based taxes (basic city-county relief tax, cigarette tax and liquor tax) is experienced either by the county (when there is one other city) or by the other cities (when there are two or more other cities). Short of completely revising the local government tax structure or requiring that new cities be funded differently than other cities, the best approach seems to be to allow the adversely affected governments to accommodate the loss over a period of time. To do this requires that all governments that receive SCCRT revenues contribute a small portion of those revenues to the affected county or cities for a limited time. Two examples of how this proposed change will work are included as appendix D.

The subcommittee, therefore, recommends:

4. That NRS 354.5988 be amended to allow a distribution from the reserve fund for the supplemental city-county relief tax to temporarily compensate certain counties and cities for the effect of the incorporation of a new city. (BDR 31-143)

E. Calculation of Maximum Allowable Revenue of Certain Local Governments.

Under existing law, whenever a new government is formed, the SCCRT and ad valorem revenues to operate that new government must come from the government that formerly had the responsibility for providing the services within the same area. The intent of this provision was to stop the creation of another government as a means to avoid the revenue limitations.

A new city, however, is not created to avoid revenue limitations but to provide more and better services for its residents. Therefore, it seems logical to exempt new cities from the strict intracounty limitation provided by the existing statute. At the same time, however, it must be recognized that SCCRT is a fixed revenue source and that any SCCRT received by the new city should not come from any government other than the parent government, which is the county and also, in some cases, the town. An example of the effect of these proposed changes is included as appendix E.

Public hearings on the proposed Lake Tahoe incorporation also made it clear that application of the existing intra-county revenue limitation can be subject to a wide variety of interpretations and that some clarification of the statute is in order when applied to governments other than new cities.

The subcommittee, therefore, recommends:

5. That NRS 354.5987 be amended as follows: To exclude new cities from the countywide combined allowable revenue limit to allow both the county government and the new city government to provide the basic services for which they have been created; and to clarify the transfer of revenues that is required when a function previously performed by one local government is to be performed by another local government, other than a new city. (BDR 31-144)

Each of these recommended bills is included in appendix F of this report.

VIII. Credits

The following is a listing of the names, titles and affiliation of the persons who testified at each of the meetings of the subcommittee.

Meeting No. 1

Askew, Dale
Assistant County Manager
Clark County
(Also testified at meeting 3)

Bloomquist, Gary
City Manager
City of Henderson

Hobbs, Guy
Comptroller
Clark County
(Also testified at meeting 3)

Lindsay, Lorraine
Assistant City Manager
City of North Las Vegas

Walker, Randall
Deputy City Manager
City of Las Vegas

Meeting No. 2

Adams, Bruce
County Manager
Douglas County

Etcheverry, G.P.
Executive Director
Nevada League of Cities
(Also testified at meetings 4 & 5)

Fiene, Carolyn
Supporter of Incorporation of Lake Tahoe City
Douglas County
(Also testified at meetings 4 and 5)

McKenzie, Barbara
Legislative Liaison
City of Reno

Nickson, Roy
Director
Nevada Taxpayers Association

Viettel, John
Private Citizen
Douglas County

Wright, Janice
Deputy Director
Nevada Department of Taxation
(Also testified at meeting 3)

Meeting No. 3

Leavitt, Marvin
Director of Financial Management
City of Las Vegas

Meeting No. 4

Hadfield, Robert
Executive Director
Nevada Association of Counties
(Also testified at meeting 5)

Hechter, Marc
Senior Management Analyst
Clark County
(Also testified at meeting 5)

Schlicker, Lori
Budget Officer
Nevada Association of Counties
(Also testified at meeting 5)

Meeting No. 5

Hawes, George
American Association of Retired Persons
Nevada Retired Teachers Association
Carson City

Trudell, Mike
City Planner
City of Reno

3ACR47/R

IX. Appendices

| | <u>Page</u> |
|---|-------------|
| Appendix A - North Las Vegas Recommendation Concerning a Method to Limit the Adverse Fiscal Effect That a New Incorporation Has on Certain Existing Cities | 15 |
| Appendix B - Recommendations made at October 16, 1987, Hearing of A.C.R. 47 Subcommittee | 21 |
| Appendix C - Clark County Recommendation Concerning the Calculation of Maximum Allowable Revenue for Newly Created or Consolidated Local Governments | 25 |
| Appendix D - BDR 31-143 Example, East Las Vegas and Fernley Incorporations. | 31 |
| Appendix E - BDR 31-144 Example, East Las Vegas Incorporation 1988-89 | 35 |
| Appendix F - Recommended Legislation | 39 |

Appendix A

North Las Vegas Recommendation Concerning a
Method to Limit the Adverse Fiscal Effect That
a New Incorporation has on Certain Cities

JAMES K. SEASTRAND
Mayor

MICHAEL DYAL
City Manager



Councilmen

THERON H. GOYNES
MARY J. KINCAID
WILLIAM E. ROBINSON
W. BRENT HARDY

City of North Las Vegas

2200 Civic Center Drive • P.O. Box 4086
NORTH LAS VEGAS, NEVADA 89030

Telephone 649-5811

October 13, 1987

We had been asked to provide comments at the Legislative Commission Subcommittee hearing to study the fiscal effects upon counties of the incorporation of cities under general law. The meeting will be held on October 16 in the Clark County Commission Chambers at 10:00 am. Specifically, the meeting is being held pursuant to ACR 47 which directs the Legislative Commission to conduct an interim study.

While ACR 47 addresses the potentially adverse effect upon counties as a consequence of the incorporation of cities, we do wish to make the observation that cities are also adversely impacted as a consequence of incorporation. Certain State shared revenues are allocated among cities and whenever a new city incorporates, or land that was formerly in an unincorporated area becomes part of an incorporated area, other cities within that county are affected adversely.

Let us cite two recent examples which bear on this subject: The annexation of Spring Valley by the City of Las Vegas which was proposed in 1985 and the intended incorporation of the City of Mesa Vista in 1986.

We wish to discuss the impact on the City of North Las Vegas of that proposed annexation and intended incorporation. By way of reference, the City of North Las Vegas, with General Fund revenues of \$18.1 million, receives \$5.6 million in State shared Basic City County Relief Tax, Cigarette Tax, and Liquor Tax. We want to stress that the revenue which is affected is a significant (31%) portion of General Fund resources.

Had the Spring Valley area been annexed to the City of Las Vegas we estimated that the City of North Las Vegas would, as a direct consequence of that annexation, have lost \$685,000 in revenue. The Spring Valley area has a population of 40,000. If that additional population were included with the City of Las Vegas, the North Las Vegas share of relative population within the County would decrease and its share of that revenue would accordingly decrease.

In connection with the intended incorporation of the City of Mesa Vista, with a population of 11,000, we estimated that the City of North Las Vegas would lose \$213,000. Again, that loss is directly attributable to the change in relative populations among cities within the County. Our estimate is reinforced by an analysis prepared by the Department of Taxation last February. The Department estimated a loss to North Las Vegas of \$194,526. The difference in amounts is due to the use of different basic assumptions; however, the magnitude of the loss can still be said to be in the neighborhood of \$200,000.

Short of recommending that there be no future incorporations or annexations within the Clark County area, we propose that any entity affected adversely by such action be entitled to a distribution from the reserve fund for supplemental city county relief tax created in the State Treasury. Specific language changes to that effect are as follows:

Amend NRS 354.5988, Section 2, to read, with new language highlighted,

...this excess must be distributed to local governments in the following fiscal year, firstly, to those local governments which have suffered an adverse effect on revenues due to the incorporation or annexation of land which was formerly not so incorporated or annexed; and secondly, in the same proportion as current receipts ...

And add a new NRS 355.5988, Section 3, which reads as follows:

The amount distributed to local governments as a consequence of the adverse budget impact discussed in Section 2 above, shall be determined as follows: (a) the executive director of the department of taxation shall estimate the amount of basic city-county relief tax, cigarette tax, and liquor tax which would have been allocated to each entity without the annexation or incorporation having taken place; (b) the estimate so determined will be compared to the amount estimated based on the incorporation or annexation; (c) the difference between those two amounts will be allocated to local governments (either cities or counties) which have been adversely impacted as a consequence of the incorporation or annexation.

And change NRS 354.5988, Section 3, to be NRS 354.5988, Section 4.

Thank you for affording us this opportunity to provide our comments. While our comments do not specifically address ACR 47, which involves the fiscal affect on counties, cities, also, are affected adversely when other cities incorporate or annex to unincorporated areas.

Sincerely,

A handwritten signature in cursive script that reads "Vytautas Vaitkus".

Vytautas Vaitkus
Finance Director

VV:mb

Appendix B

Recommendations Made at October 16, 1987,
Hearing of A.C.R. 47 Subcommittee

RECOMMENDATIONS MADE AT OCTOBER 16, 1987,
HEARING OF A.C.R. 47 SUBCOMMITTEE

1. Amend NRS 354.5987 to provide a more clear method to identify the functions and measure the amount of capped resources that a county transfers to a new city upon its creation.
2. Amend NRS 354.59875 to clarify how the revenues generated in a town participating in a common levy is to be handled if such a town incorporates.
3. Amend the statutes to tie voter approval of incorporation with a sufficient tax rate to provide the necessary services in the new city.
4. Exclude new cities from the revenue neutrality requirements of NRS 354.5987.
5. Redo county and city tax systems to provide that population taxes are distributed based on county population and not on relative city populations.
6. Return certain taxes to point-of-origin.
7. Create an emergency fund from out-of-state sales tax revenues to be used to cushion the effects of a new incorporation on affected entities.
8. Use surplus SCCRT revenues to cushion the effects of a new incorporation on affected entities before such excess is redistributed pursuant to NRS 354.5988(2).

ACR47/recs

Appendix C

Clark County Recommendation Concerning the
Calculation of Maximum Allowable Revenue for
Newly Created or Consolidated Local Governments

MEMORANDUM

DEPARTMENT OF FINANCE

GUY S. HOBBS
Comptroller

TO: DALE ASKEW, Assistant County Manager

FROM: GUY S. HOBBS, Comptroller *GH*

SUBJECT: MAXIMUM ALLOWABLE FOR NEWLY CREATED OR CONSOLIDATED LOCAL GOVERNMENTS - *ACR 47*

DATE: FEBRUARY 10, 1988

The statute defining the establishment of maximum allowable revenue for newly created or consolidated local governments, NRS 354.5987, states:

1. For the purposes of NRS 354.59805, 354.59811 and 354.59816, the maximum allowable combined revenue of any local government:
 - a. Which comes into being on or after July 1, 1983, whether newly created, consolidated, or both; or
 - b. Which was in existence before July 1, 1983, but did not receive revenue from taxes ad valorem, except any levied for debt service, for the fiscal year ending June 30, 1981,must be initially established by the Nevada tax commission.
2. If the local government for which the maximum allowable combined revenue is established performs a function previously performed by another local government, the total revenue allowed to all local governments for performance of substantially the same function in substantially the same geographical area must not be increased. To the extent necessary to achieve this result, the Nevada tax commission shall subtract from the maximum allowable combined revenue the basic revenue from taxes ad valorem and the revenues from taxes ad valorem allowed by NRS 354.59805 of each local government that previously performed all or part of that function the amount expended for that purpose in the most recent fiscal year for which reliable information is available.
3. In any other case, the total maximum allowable combined revenue of all local governments in the county, to which the limits imposed by NRS 354.59805 and 354.59816 apply, must not be increased, but the total must be reallocated among them to accommodate the amount newly established pursuant to subsection 1.

In essence, the Nevada Tax Commission is the agency charged with establishing the allowed ad valorem and SCCRT revenue levels for new local governments. Further, they are also charged with deducting from the government that previously provided the service(s) the amount granted to the new local government. The intent of the statute is to maintain the same aggregate amount of all "maximum allowed" revenues for all local governments. The methodology generally described in the statute allows only for a remixing of allowed revenue among local governments.

Clearly, this approach is less than scientific. It more than likely would lead to differences of opinion regarding both the types of services previously provided as well as the cost. Although the statute provides for the "amount expended for that purpose in the most recent fiscal year for which reliable information is available" to be used as the amount to be deducted from the maximum allowed revenue of the government previously providing the services, the costs may in many cases be indeterminable. For example, in the cases of public works, police and fire services, cost data is not maintained on an unincorporated town basis. Consequently, some form of estimating would be required. Further, this statute presumes that the cost after incorporation or consolidation would be identical to that before incorporation. This is questionable.

Although the technical sufficiency of this statute is less than impressive, it does allow the County (or other local government) an opportunity to make their own case with the Tax Commission regarding the true costs of the services being transferred to the new local government. However, since the Tax Commission will make the final decision, there can be no guarantee that the County's position will be upheld. A disadvantage inherent within the current statute is that the fiscal impact resulting from the formation of a new local government cannot be determined with certainty (only after the Tax Commission acts can this be done).

It is my belief that, in the case of an incorporation within unincorporated areas, the local government "formerly providing the services" would be the unincorporated town, not the County. As a result, the maximum amount that could be deducted from the local government formerly providing the service would be the maximum allowed revenue of that local government. The maximum allowable of the County should be unaffected in that it supports countywide services which will continue to be provided to the new entity following incorporation.

It is strongly recommended that the aforementioned statute governing the establishment of maximum allowed revenue for new entities be amended. The most practical and reasonable approach would be to require the new entity to appear before the Tax Commission and request a new maximum allowable in support of their service delivery plan. While certain adjustments to the former government may be feasible, it is unreasonable to expect a new entity to provide services as economically as the former entity. Consequently, the aggregate limit on maximum allowable revenue of all local governments is practically unreasonable in the event of new incorporation.

Most importantly, under the new incorporation statutes, a newly incorporating area must take all or part of existing unincorporated town. As a result, the maximum allowable of the former area may be assigned to the new area. If a portion of an unincorporated town is incorporated, the percentage share of the new area (on an assessed valuation basis) as it relates to the valuation of the former town may be used to determine the portion of the maximum allowed to be granted to the new area. Our office, and the D.A.'s Office, believe that a reallocation of maximum allowable (if this method must be used) should be revenue based and not determined by estimates of "costs of providing services".

GSH:bt

Appendix D

BDR 31-143 Example, East Las Vegas
and Fernley Incorporations

18-May-88

BDR 31-143 EXAMPLE, EAST LAS VEGAS AND FERNLEY INCORPORATIONS

; BCCRT, CIGARETTE & LIQUOR REVENUES ;

| | 1985-86 ACTUAL | 1985-86 WITH INCORPORATION | SPECIAL SCCRT DISTRIBUTION |
|-----------------------|-------------------|----------------------------------|----------------------------------|
| ***** | | | |
| BOULDER CITY | 1,342,698 | 1,301,412 | 41,286 |
| HENDERSON | 4,128,716 | 3,980,303 | 148,413 |
| LAS VEGAS | 22,479,273 | 21,768,108 | 711,165 |
| MESQUITE | 136,658 | 131,065 | 5,593 |
| NORTH LAS VEGAS | 5,510,495 | 5,351,934 | 158,561 |
| MESA VISTA | 0 | 1,065,018 | 0 |
| CITY TOTAL | 33,597,840 | 33,597,840 | 1,065,018 |
| LYON COUNTY | 525,648 | 0 | 380,723 |
| YERINGTON | 91,054 | 237,940 | 0 |
| FERNLEY | 0 | 378,762 | 0 |
| CITY/COUNTY TOTAL | 616,702 | 616,702 | 380,723 |

NOTE: ASSUMES 1985 POPULATION IN EAST LAS VEGAS OF 9100 AND IN
FERNLEY OF 3900.

Appendix E

BDR 31-144 Example, East Las Vegas
Incorporation 1988-89

18-May-88

BDR 31-144 EXAMPLE, EAST LAS VEGAS INCORPORATION 1988-89

BEFORE INCORPORATION

| | (15) COMBINED ALLOWED REV. | (15) COMBINED ALLWD. SCCRT DIST. | (20) BASIC AD VALOREM REV | (22) SCCRT DISTRIBUTION | (19) 1980-81 TAX RATE | (42) ALLOWED AD VALOREM | (43) "CAPPED" TAX RATE |
|--------------|----------------------------------|--|---------------------------------|-------------------------------|-----------------------------|-------------------------------|------------------------------|
| CLARK | 95,894,664 | 95,894,664 | 89,771,395 | 50,528,412 | 0.9743 | 37,809,484 | 0.4166 |
| E. LAS VEGAS | 97,540 | 97,540 | 185,943 | 97,540 | 0.2315 | 0 | 0.0000 |
| ENTITY TOTAL | 95,992,204 | 95,992,204 | 89,957,338 | 50,625,952 | -- | -- | -- |
| COUNTY TOTAL | 193,149,961 | 193,149,961 | 189,495,266 | 106,658,639 | -- | -- | -- |

AFTER INCORPORATION

| | (15)-NEW COMBINED ALLOWED REV. | (15A)-NEW COMBINED ALLWD. SCCRT DIST. | (20)-NEW BASIC AD VALOREM REV | (22)-NEW SCCRT DISTRIBUTION | (19)-NEW 1980-81 TAX RATE | (42)-NEW ALLOWED AD VALOREM | (43)-NEW "CAPPED" TAX RATE |
|--------------|--------------------------------------|---|-------------------------------------|-----------------------------------|---------------------------------|-----------------------------------|----------------------------------|
| CLARK | 95,894,664 | 95,894,664 | 88,745,008 | 49,950,703 | 0.9632 | 37,809,484 | 0.4166 |
| MESA VISTA | 1,310,000 | 97,540 | 1,212,330 | 682,368 | 1.5094 | 627,632 | 0.7814 |
| ENTITY TOTAL | 97,204,664 | 95,992,204 | 89,957,338 | 50,633,071 | -- | -- | -- |
| COUNTY TOTAL | 194,362,421 | 193,149,961 | 189,495,266 | 106,658,639 | -- | -- | -- |

DIFFERENCE

| | (15) COMBINED ALLOWED REV. | (15) COMBINED ALLWD. SCCRT DIST. | (20) BASIC AD VALOREM REV | (22) SCCRT DISTRIBUTION | (19) 1980-81 TAX RATE | (42) ALLOWED AD VALOREM | (43) "CAPPED" TAX RATE |
|----------------|----------------------------------|--|---------------------------------|-------------------------------|-----------------------------|-------------------------------|------------------------------|
| CLARK | 0 | 0 | (1,026,387) | (577,709) | -0.0111 | 0 | 0.0000 |
| ELV/MESA VISTA | 1,212,460 | 0 | 1,026,387 | 584,828 | 1.2779 | 627,632 | 0.7814 |
| ENTITY TOTAL | 1,212,460 | 0 | 0 | 7,119 | -- | -- | -- |
| COUNTY TOTAL | 1,212,460 | 0 | 0 | 0 | -- | -- | -- |

Appendix F

Recommended Legislation

| | | <u>Page</u> |
|------------|---|-------------|
| BDR 31-140 | Revises provisions governing assumption of resources of local government no longer in existence by other local governments. | 41 |
| BDR 21-141 | Provides for merger of special district upon incorporation of city encompassing district | 45 |
| BDR 21-142 | Makes various changes concerning incorporation of new cities. | 57 |
| BDR 31-143 | Allows distribution from reserve fund for the supplemental city-county relief tax to compensate certain counties and cities for effect of incorporation of new city | 69 |
| BDR 31-144 | Revises provisions concerning calculation of maximum allowable revenue of certain local governments. | 75 |

SUMMARY--Revises provisions governing assumption of resources of local government no longer in existence by other local governments.
(BDR 31-140)

FISCAL NOTE: Effect on Local Government: No.
 Effect on the State or on Industrial Insurance: No.

AN ACT relating to local governmental finances; authorizing any local government or combination of local governments to take over the functions and resources of any local government which no longer exists; revising the procedure for such takeovers; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 354.5982 is hereby amended to read as follows:

354.5982 1. The local government may exceed the respective limits imposed by NRS 354.59805, 354.59811 and 354.59816 upon combined amounts received and upon calculated receipts from taxes ad valorem only if its governing body proposes to its registered voters an additional levy ad valorem, specifying the amount of money to be derived, the purpose for which it is to be

expended, and the duration of the levy, and the proposal is approved by a majority of the voters voting on the question at a general election or a special election called for that purpose. The governing body may discontinue the levy before it expires and may not thereafter reimpose it in whole or in part without following the procedure required for its original imposition.

2. To the maximum combined revenue otherwise allowable under NRS 354.59805, 354.59811 and 354.59816 to a local government, the executive director of the department of taxation shall add any amount approved by the legislature for the cost to that local government of any substantial program or expense required by legislative enactment.

3. If [a county takes] *one or more local governments take* over the functions previously performed by a local government [other than a city] which no longer exists, the [executive director of the department of taxation] *Nevada tax commission* shall add to the maximum allowable revenue from taxes ad valorem, the maximum combined allowable revenue and the basic ad valorem revenue, respectively, otherwise allowable to [that county] *the local government or local governments* pursuant to NRS 354.59805, 354.59811, 354.59816 and 377.057, an amount equal to the maximum allowable revenue from taxes ad valorem, the maximum combined allowable revenue and the basic ad valorem revenue, respectively, for the last fiscal year of existence of the local government whose functions were assumed. *If more than one local government assumes the functions, the additional revenue must be divided among the local governments on the basis of the proportionate costs of the functions assumed.*

4. Distributions of the supplemental city-county relief tax must not be changed because actual collections of taxes ad valorem are greater or less than calculated when those taxes were levied, but any actual revenue received from taxes ad valorem, excluding net proceeds of mines and delinquent payments of taxes, in excess of the maximum allowable combined revenue must not be expended during the fiscal year in which collected, and must be subtracted from the result obtained under subsection 2 of NRS 354.59805 to reduce the maximum amount of revenue which may be derived from taxes ad valorem in the next fiscal year for which the tax rates are certified. On or before January 1 of each year, each county treasurer shall submit a report of the excess ad valorem receipts for the prior year to the department of taxation, in the manner prescribed by the department. The executive director of the department of taxation shall withhold all revenue from the supplemental city-county relief tax otherwise payable to the county until an accurate and complete report is submitted.

5. For the purposes of this section, a fire protection district organized pursuant to chapter 473 of NRS is a local government.

SUMMARY--Provides for merger of special district upon incorporation of city encompassing district. (BDR 21-141)

FISCAL NOTE: Effect on Local Government: Yes.
 Effect on the State or on Industrial Insurance: No.

AN ACT relating to local governments; requiring that proceedings for the merger of certain special districts be commenced upon the incorporation of a city encompassing a district; providing for the arrangement of the affairs of a merged district; and providing other matters properly relating thereto.

**THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:**

Section 1. NRS 266.043 is hereby amended to read as follows:

266.043 1. During the period from the filing of the notice of the results of the election by the county clerk pursuant to NRS 266.033 until the date the incorporation of the city becomes effective, the county is entitled to

receive the taxes and other revenue from the incorporated city and shall continue to provide services to the city.

2. [All] *Except as otherwise provided in sections 3 and 9 of this act, all special districts, except fire protection districts, located within the boundaries of an incorporated city continue to exist within that city after the incorporation becomes effective.*

Sec. 2. Chapter 309 of NRS is hereby amended by adding thereto the provisions set forth as sections 3 and 4 of this act.

Sec. 3. *1. If all the territory within a district organized pursuant to this chapter is included within the boundaries of a city incorporated under the provisions of chapter 266 of NRS, the board of county commissioners of the county shall, within 90 days after the filing of the notice required by NRS 266.033, adopt an ordinance providing for the merger of the district with the city and fixing a time and place for a hearing on the merger.*

2. The county clerk shall certify a copy of the ordinance and give notice of its adoption in the manner provided by NRS 309.500.

3. Except as otherwise provided in section 4 of this act, the board of county commissioners shall thereafter proceed to hear and determine the matter as provided in NRS 309.510 and 309.520.

Sec. 4. *If a final ordinance of dissolution is adopted pursuant to section 3 of this act:*

1. *The merger of the district is effective on July 1 of the year next following the date the incorporation of the city becomes effective.*

2. *The city shall assume the obligations and functions of the district.*

3. *Any outstanding and unpaid tax sale or levy and any special assessment lien of the district is valid and remains a lien upon the property against which it is assessed or levied until paid, subject to the limitations of liens provided by general law. Any tax or special assessment paid after the effective date of the merger must be placed in the general fund of the city.*

4. *The city council of the city has the same power to enforce the collection of any special assessment or outstanding tax sales of the district as the district would have had if it had not been merged.*

Sec. 5. NRS 309.500 is hereby amended to read as follows:

309.500 1. [Whenever] *Except as otherwise provided in section 3 of this act, whenever* a majority of the members of the board of county commissioners of any county deem it to be in the best interests of the county and of the district that [any such] *the* district be merged, consolidated or dissolved, it shall so determine by ordinance, after there is first found, determined and recited in [such] *the* ordinance that:

(a) All outstanding indebtedness and bonds of all kinds of the district have been paid or will be assumed by the resulting merged or consolidated unit of government.

(b) The services of [such] *the* district are no longer needed or can be more effectively performed by an existing unit of government.

2. The county clerk shall thereupon certify a copy of the ordinance to the board of directors of [such] *the* district and shall give notice by publication and mailing of:

(a) The adoption of [such] *the* ordinance;

(b) The determination of the board of county commissioners that the district should be dissolved, merged or consolidated; and

(c) The time and place for hearing on *the* dissolution, merger or consolidation.

3. Notice by publication [shall] *must* be given by publication of [such] *the* notice at least once a week for 3 consecutive weeks by three weekly insertions in at least one newspaper of general circulation in the district, the first publication to be at least 15 days [prior to] *before* the date of the hearing. Notice by mail [shall] *must* be given by a single mailing by first-class mail [() or its equivalent , (),] postage prepaid, by deposit in the United States mails, at least 15 days [prior to] *before* the date of the hearing . [, such notice to] *The notice must* be mailed to each last known owner of land within [any district proposed to be dissolved or merged, and within each district proposed to be consolidated] *the district* at the last known address of [such owner, such addresses and owners being those appearing on] *the owner, as set forth on* the real property assessment rolls for general [() ad valorem ()] taxes of the county

[and] *or as established* from such other sources as the secretary of the district deems reliable.

Sec. 6. NRS 309.510 is hereby amended to read as follows:

309.510 1. Any taxpaying elector within the district may, on or before the date fixed [,] *for the hearing*, protest against the dissolution, merger or consolidation of [such district, in writing, which protest shall be filed] *the district by filing a written protest* with the county clerk of [such] *the* county.

2. If, at or before the time fixed by the ordinance and notice, written [protest is] *protests are* filed, signed by 51 percent or more of the taxpaying electors within the district, the district [shall] *may* not be dissolved, merged or consolidated. If any written protests are filed and the board of county commissioners determines that the protests so filed represent less than 51 percent of the taxpaying electors of the district, the board may, if it so determines, complete the dissolution, merger or consolidation by the adoption of a final ordinance of dissolution [, which ordinance shall contain] *containing* a recital as to the percentage of protests. [Such recital shall be] *The recital is* binding and conclusive for all purposes. [In] *Except as otherwise provided in subsection 1 of section 4 of this act*, in the ordinance of dissolution the board of county commissioners shall fix the effective date of the dissolution, merger or consolidation, which [date shall] *must* not be sooner than the effective date of [such] *the* ordinance.

Sec. 7. NRS 309.540 is hereby amended to read as follows:

309.540 1. All property and all funds remaining in the treasury of any district [shall] *must* be:

(a) Surrendered and transferred to the county in which the district exists and [shall] become a part of the general fund of the county, if [such] *the* district is dissolved;

(b) Transferred to the governmental unit which assumes its obligations and functions, if [such] *the* district is merged; and from and after the effective date of the merger, all of the laws, rights, powers and duties applicable to the lands and inhabitants of the governmental unit assuming [such] *those* obligations and functions [shall] apply with equal force and effect to the lands and inhabitants of the district so merged; or

(c) Transferred to the consolidated governmental unit, if [such] *the* district is consolidated.

2. All outstanding and unpaid tax sales and levies and all special assessment liens of a dissolved district [shall be] *are* valid and remain a lien against the property against which they are assessed or levied until paid, subject [, however,] to the limitations of liens provided by general law. Taxes and special assessments paid after dissolution [shall] *must* be placed in the general fund of the county in which the property was assessed.

3. [The] *Except as otherwise provided in section 4 of this act, the* board of county commissioners [shall have] *has* the same power to enforce the collection of all *special assessments and* outstanding tax sales of the district as

the district would have had if it had not been dissolved, merged or consolidated . [and the same powers to enforce the collection of special assessments.]

4. If any area comprising the district or portion thereof is annexed to a city or town within 6 months from the effective date of the dissolution ordinance, a pro rata share of all such property and funds [shall] *must* be transferred to the municipality.

Sec. 8. Chapter 318 of NRS is hereby amended by adding thereto the provisions set forth as sections 9 and 10 of this act.

Sec. 9. 1. *If all the territory within a district organized pursuant to this chapter is included within the boundaries of a city incorporated under the provisions of chapter 266 of NRS, the board of county commissioners of the county shall, within 90 days after the filing of the notice required by NRS 266.033, adopt an ordinance providing for the merger of the district with the city and fixing a time and place for a hearing on the merger.*

2. The county clerk shall certify a copy of the ordinance and give notice of its adoption in the manner provided by subsection 2 of NRS 318.490.

3. The board of county commissioners shall thereafter proceed to hear and determine the matter as provided in NRS 318.495 and 318.500.

Sec. 10. *If a final ordinance of dissolution is adopted pursuant to section 9 of this act:*

1. *The merger of the district is effective on July 1 of the year next following the date the incorporation of the city becomes effective.*
2. *The city shall assume the obligations and functions of the district.*
3. *Any outstanding and unpaid tax sale or levy and any special assessment lien of the district is valid and remains a lien upon the property against which it is assessed or levied until paid, subject to the limitations of liens provided by general law. Any tax or special assessment paid after the effective date of the merger must be placed in the general fund of the city.*
4. *The city council of the city has the same power to enforce the collection of any special assessment or outstanding tax sales of the district as the district would have had if it had not been merged.*

Sec. 11. NRS 318.490 is hereby amended to read as follows:

318.490 1. [Whenever] *Except as otherwise provided in section 9 of this act, whenever* a majority of the members of the board of county commissioners of any county deem it to be in the best interests of the county and of the district that [any such] *the* district be merged, consolidated or dissolved, it shall so determine by ordinance, after there is first found, determined and recited in [such] *the* ordinance that:

(a) All outstanding indebtedness and bonds of all kinds of the district have been paid or will be assumed by the resulting merged or consolidated unit of government.

(b) The services of [such] *the* district are no longer needed or can be more effectively performed by an existing unit of government.

2. The county clerk shall thereupon certify a copy of the ordinance to the board of [such] *the* district and shall mail written notice to all property owners within the district in his county, containing the following:

(a) The adoption of [such] *the* ordinance;

(b) The determination of the board of county commissioners that the district should be dissolved, merged or consolidated; and

(c) The time and place for hearing on *the* dissolution, merger or consolidation.

Sec. 12. NRS 318.510 is hereby amended to read as follows:

318.510 1. All property and all funds remaining in the treasury of any district [shall] *must* be:

(a) Surrendered and transferred to the county in which the district exists and [shall] become a part of the general fund of the county, if [such] *the* district is dissolved;

(b) Transferred to the governmental unit which assumes its obligations and functions, if [such] *the* district is merged; or

(c) Transferred to the consolidated governmental unit, if [such] *the* district is consolidated.

2. All outstanding and unpaid tax sales and levies and all special assessment liens of a dissolved district [shall be] *are* valid and remain a lien

against the property against which they are assessed or levied until paid, subject [, however,] to the limitations of liens provided by general law. Taxes and special assessments paid after dissolution [shall] *must* be placed in the general fund of the county in which the property was assessed.

3. [The] *Except as otherwise provided in section 10 of this act, the board of county commissioners has the same power to enforce the collection of all special assessments and outstanding tax sales of the district as the district had if it had not been dissolved, merged or consolidated . [and the same powers to enforce the collection of special assessments.]*

4. If any area comprising the district or portion thereof is annexed to a city or town within 6 months from the effective date of the dissolution ordinance, a pro rata share of all such property and funds [shall] *must* be transferred to the municipality.

5. If any area comprising the district or portion thereof is not annexed to a city or town within 6 months from the effective date of the dissolution ordinance, the board of county commissioners shall pay to the owners of property located within the former district pro rata shares of the money remaining in the treasury of the district, and an amount of money equal to the value of any property which is not used for the benefit of the area formerly comprising the district. The board of county commissioners may, before paying such money, apply a proportionate amount of such payment to any special assessments which are due . [and payable.]

Sec. 13. NRS 318.515 is hereby amended to read as follows:

318.515 1. Upon notification by the department of taxation or upon receipt of a petition signed by 20 percent of the qualified electors of the district, that:

(a) A district of which the board of county commissioners is not the board of trustees is not being properly managed;

(b) The board of trustees of the district is not complying with the provisions of this chapter or with any other law; or

(c) The service plan established for the district is not being complied with, the board of county commissioners of the county in which the district is located shall hold a hearing to consider the notification or petition.

2. The county clerk shall mail written notice to all persons who own property within the district and to all qualified electors of the district, which notice shall set forth the substance of the notification or petition and the time and place of the hearing.

3. At the place, date and hour specified for the hearing, or at any subsequent time to which the hearing may be adjourned, the board of county commissioners shall give full consideration to all persons desiring to be heard and shall thereafter:

(a) Adopt an ordinance constituting the board of county commissioners, ex officio, as the board of trustees of the district;

(b) Adopt an ordinance providing for the merger, consolidation or dissolution of the district pursuant to NRS 318.490 to 318.510, inclusive [;] , *and sections 9 and 10 of this act;*

(c) File a petition in the district court for the county in which the district is located for the appointment of a receiver for the district; or

(d) Determine by resolution that management and organization of the district will remain unchanged.

4. The department of taxation or any interested person may, within 30 days immediately following the effective date of the ordinance adopted under paragraph (a) or resolution adopted under paragraph (d) of subsection 3, commence an action in any court of competent jurisdiction to set aside the ordinance or resolution. After the expiration of 30 days, all actions attacking the regularity, validity and correctness of that ordinance or resolution are barred.

Sec. 14. This act becomes effective on July 1, 1989.

SUMMARY--Makes various changes concerning incorporation of new cities. (BDR 21-142)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to local governments; revising provisions governing the local governmental advisory committee; requiring an estimate of the fiscal effect of the proposed incorporation of a new city on the ballot for the election; revising provisions governing procedure for incorporation of cities; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 266 of NRS is hereby amended by adding thereto a new section to read as follows:

1. The county clerk shall file with the executive director of the department of taxation and the local government advisory committee a copy of a petition or amended petition for incorporation within 5 days after the county clerk determines it to be sufficient or it is otherwise determined to be sufficient. The

department of taxation shall prepare a clear and concise statement of the estimated fiscal effect of the incorporation on the residents of the proposed city which includes a new estimated tax rate and example of that tax rate as applied for 1 year to a median-priced home in the area of the proposed new city compared to an example of the present tax rate in that area applied for the same period to the same home.

2. Within 30 days after receipt of the petition or amended petition from the county clerk, the department of taxation shall file with the local governmental advisory committee the statement of estimated fiscal effect and any explanatory material, including calculations, for the benefit of the committee.

3. The local governmental advisory committee shall approve or revise and approve the statement of estimated fiscal effect at a public meeting and transmit the statement to the county clerk within 30 days after receipt of the statement from the department of taxation.

4. The statement of estimated fiscal effect prepared by the department of taxation pursuant to subsection 1 must not affect any subsequent calculations made by the department pursuant to law if the city is incorporated.

Sec. 2. NRS 266.016 is hereby amended to read as follows:

266.016 As used in NRS 266.016 to 266.0445, inclusive, and section 1 of this act, unless the context otherwise requires, "qualified elector" means a person who is registered to vote in this state and is a resident of the area to be included in the proposed city, as shown by the last official registration lists.

Sec. 3. NRS 266.032 is hereby amended to read as follows:

266.032 The ballots used for the election held pursuant to NRS 266.029 must [be] :

1. *Be* in substantially the following form:

Shall the area described as(describe area) be incorporated as the City of (name of city)?

Yes

No

The voter shall mark the ballot by placing a cross (x) next to the word "yes" or "no."

2. *Contain the statement of the estimated fiscal effect of the proposed incorporation prepared pursuant to section 1 of this act.*

Sec. 4. NRS 266.036 is hereby amended to read as follows:

266.036 1. Upon approval of the incorporation by the voters, the board of county commissioners shall designate a date on which an election to elect the [officers] *councilmen and mayor* of the incorporated city will be held. The election must be held not less than 60 days nor more than 120 days after the election conducted pursuant to NRS 266.029.

2. The county clerk shall publish or cause to be published notice of the election in a newspaper of general circulation in the incorporated city. The notice must be published once each week for 3 consecutive weeks. If no newspaper of general circulation is published in the city, the county clerk shall post the notice in at least five public places in the city.

Sec. 5. NRS 266.038 is hereby amended to read as follows:

266.038 A person who wishes to become a candidate for an elective office of a newly created city must:

1. Reside within the boundaries of the newly created city; [and]
2. File an affidavit of candidacy with the county clerk not less than [30] 45 days nor more than 90 days before the date of the election [.] :
3. *Pay the filing fee provided for county officers generally by NRS 293.193 to the county clerk at the time of filing the affidavit of candidacy; and*
4. *As soon as practicable after the effective date of incorporation the county clerk shall transmit all filing fees collected pursuant to this section to the new city.*

Sec. 6. NRS 266.041 is hereby amended to read as follows:

266.041 Before the incorporation of the city becomes effective, the elected officers of the city may:

1. Prepare and adopt a budget;
2. Adopt ordinances;
3. Levy a tax ad valorem on property within the area of the city, at the time and in the amount prescribed by law for cities, for the fiscal year beginning on the date the incorporation of the city becomes effective;
4. Negotiate an equitable apportionment of the fixed assets of the county pursuant to NRS 266.044;
5. Negotiate contracts for the employment of personnel;
6. Negotiate contracts to provide services for the city, including those services provided for by chapter 277 of NRS; [and]

7. Negotiate contracts for the purchase of equipment, materials and supplies [.] ; *and*

8. *Apply to the interim finance committee for a loan of money to cover any expenses incurred by the city which the mayor determines must be paid before the effective date of the incorporation of the city, including salaries and expenses of the officers and any other administrative costs.*

Sec. 7. NRS 266.095 is hereby amended to read as follows:

266.095 1. Each incorporated city of the first class must be divided into eight municipal wards. Each incorporated city of the second class must be divided into three or five municipal wards as provided by ordinance. Each incorporated city of the third class must be divided into three municipal wards.

2. The division of cities into wards must, during the incorporation thereof, be made by the board of county commissioners. The wards must as nearly as practicable be of equal population and in compact form. *The initial division of each city of the second class must be into three municipal wards.*

3. Once established, the boundaries of wards must be changed by ordinance of the city council whenever, as determined at the close of registration before each general election, the number of registered voters in any ward exceeds the number of registered voters in any other ward by more than 5 percent.

Sec. 8. NRS 218.6825 is hereby amended to read as follows:

218.6825 1. There is hereby created in the legislative counsel bureau an interim finance committee composed of the members of the assembly standing committee on ways and means and the senate standing

committee on finance during the current or immediately preceding session of the legislature. The immediate past chairman of the senate standing committee on finance is the chairman of the interim finance committee for the period ending with the convening of each even- numbered regular session of the legislature. The immediate past chairman of the assembly standing committee on ways and means is the chairman of the interim finance committee during the next legislative interim, and the chairmanship alternates between the houses of the legislature according to this pattern.

2. If any regular member of the committee informs the secretary that he will be unable to attend a particular meeting, the secretary shall notify the speaker of the assembly or the majority leader of the senate, as the case may be, to appoint an alternate for that meeting from the same house and political party as the absent member.

3. The interim finance committee, except as provided in subsection 4, may exercise the powers conferred upon it by law only when the legislature is not in regular or special session. The membership of any member who does not become a candidate for reelection or who is defeated for reelection continues until the next session of the legislature is convened.

4. During a regular session the interim finance committee may also perform the duties imposed on it by subsections 4 and 6 of NRS 284.115, subsection 3 of NRS 328.480, subsection 1 of NRS 341.145, NRS 353.220, 353.224 [, 353.335] and 353.335, subsection 4 of NRS 354.5988, NRS 428.375 and chapter 621, Statutes of Nevada 1979. In performing those duties, the senate standing committee on finance and the assembly standing committee on

ways and means may meet separately and transmit the results of their respective votes to the chairman of the interim finance committee to determine the action of the interim finance committee as a whole.

5. The director of the legislative counsel bureau shall act as the secretary of the interim finance committee.

6. A majority of the members of the assembly standing committee on ways and means and a majority of the members of the senate standing committee on finance, jointly, may call a meeting of the interim finance committee if the chairman does not do so.

7. In all matters requiring action by the interim finance committee, the vote of the assembly and senate members must be taken separately. An action must not be taken unless it receives the affirmative vote of a majority of the assembly members and a majority of the senate members.

8. Except during a regular or special session of the legislature, each member of the interim finance committee and appointed alternate is entitled to receive the compensation provided for a majority of the members of the legislature during the first 60 days of the preceding regular session for each day or portion of a day during which he attends a committee meeting or is otherwise engaged in committee work plus the per diem allowance and travel expenses provided for state officers and employees generally. All such compensation must be paid from the contingency fund in the state treasury.

Sec. 9. Chapter 354 of NRS is hereby amended by adding thereto a new section to read as follows:

1. *The local governmental advisory committee, consisting of 11 members, is hereby created.*

2. *The following associations shall each appoint three members to serve on the committee:*

(a) Nevada League of Cities;

(b) Nevada Association of County Commissioners; and

(c) Nevada School Trustees Association.

3. *The Nevada state board of accountancy shall appoint two members to serve on the committee.*

4. *Each appointment must be for a term of 3 years.*

5. *All vacancies must be filled as soon as practicable by the appointing authority of the person who vacated the seat.*

6. *If any of the associations listed in subsection 2 cease to exist, the appointments required by subsection 2 must be made by the association's successor in interest or, if there is no successor in interest, one each by the other appointing authorities.*

Sec. 10. NRS 354.594 is hereby amended to read as follows:

354.594 The department of taxation shall determine and advise local government officers of regulations, procedures and report forms for compliance with NRS 354.470 to 354.626, inclusive. It shall make such determinations after hearing the advice and recommendations of [an 11-member advisory committee composed of three persons appointed by the Nevada League of Cities, three persons appointed by the Nevada Association of County Commissioners, three persons appointed by the Nevada School

Trustees Association and two persons appointed by the Nevada state board of accountancy. Each appointment shall be for a term of 3 years.] *the local governmental advisory committee.*

Sec. 11. NRS 354.5988 is hereby amended to read as follows:

354.5988 1. If actual receipts from the supplemental city-county relief tax for any fiscal year exceed the estimate previously made by the executive director of the department of taxation, the excess receipts must be deposited in the reserve fund for the supplemental city-county relief tax which is hereby created in the state treasury. If the amount of the supplemental city-county relief tax otherwise distributable to a local government exceeds the combined amount allowable to it from the supplemental city-county relief tax and taxes ad valorem, the excess must be distributed to the other local governments in the county in the proportion that the maximum allowable revenue of each local government in that county bears to the total maximum allowable revenue of all local governments in that county excluding those governments whose share of the proceeds of the tax exceeded their maximum allowable revenue. If the proceeds of the tax exceed the maximum allowable revenue for all local governments within a county, the excess must be deposited in the reserve fund for the supplemental city-county relief tax. Money in this fund must not be used for any purpose other than distribution to local governments pursuant to this section. The interest earned upon the money in the fund must be added to the principal of the fund.

2. [The] *Except as otherwise provided in subsections 3 and 4, the money* in this fund must be used to increase the distribution to local governments

when the actual receipts from the supplemental city-county relief tax are less than the estimates previously made by the director of the department of taxation. Whenever the sum of the money in the fund at the beginning of any fiscal year and any money which will accrue to the fund from revenues of the preceding fiscal year exceeds \$12,500,000, this excess must be distributed to local governments in the following fiscal year in the same proportion as current receipts are distributed for that fiscal year, except that the distribution to each local government must be so limited that it does not receive from this distribution, from distributions pursuant to NRS 377.057 and from taxes ad valorem a total amount greater than its maximum allowable combined revenue. This distribution must be included in the executive director's estimate of money to be received by each local government from the supplemental city-county relief tax.

3. The interim finance committee may direct the state controller to make a special distribution from the fund if it determines that unforeseen or uncontrollable conditions, existing or imminent, substantially impair the financial capacity of a local government to provide the basic services for which it was created, but:

(a) Until the balance in the fund reaches \$10,000,000 no such distribution may be made; and

(b) The next \$2,500,000 transferred into the fund is available for distribution pursuant to this subsection.

In making such a determination, the committee shall consider the recommendation of the executive director of the department of taxation. The

executive director and the committee shall consider, without limitation, the effect of a sudden and unusual decrease in population served, a decrease in total revenue of at least 5 percent, and natural disasters. The committee shall consider the general economic condition of the community and of the state and the effect of each proposal on the taxpayer, and make written findings of the facts supporting the distribution. The total amount which may be distributed pursuant to this subsection must not exceed 25 percent of the amount in the fund at the beginning of that fiscal year.

4. The interim finance committee may direct the state controller to make a special distribution from the fund to a newly created city after the incorporation has been approved by the voters and officers have been elected and before the effective date of the incorporation if it determines that the money is needed for expenses incurred by the city which must be paid before the effective date of the incorporation of the city, including salaries and expenses of the officers and any other administrative costs. The money must be distributed in the form of a loan and must be repaid to the fund by the city from revenue received after the effective date of the incorporation upon terms set by the interim finance committee.

SUMMARY--Allows distribution from reserve fund for the supplemental city-county relief tax to compensate certain counties and cities for effect of incorporation of new city. (BDR 31-143)

FISCAL NOTE: Effect on Local Government: Yes.

 Effect on the State or on Industrial Insurance: No.

AN ACT relating to local governmental finances; allowing a distribution of money from the reserve fund for the supplemental city-county relief tax to compensate certain counties and cities for the effect of the incorporation of a new city; and providing other matters properly relating thereto.

**THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:**

Section 1. NRS 354.5988 is hereby amended to read as follows:

354.5988 1. If actual receipts from the supplemental city-county relief tax for any fiscal year exceed the estimate previously made by the executive director of the department of taxation, the excess receipts must be

deposited in the reserve fund for the supplemental city-county relief tax which is hereby created in the state treasury. If the amount of the supplemental city-county relief tax otherwise distributable to a local government exceeds the combined amount allowable to it from the supplemental city-county relief tax and taxes ad valorem, the excess must be distributed to the other local governments in the county in the proportion that the maximum allowable revenue of each local government in that county bears to the total maximum allowable revenue of all local governments in that county excluding those governments whose share of the proceeds of the tax exceeded their maximum allowable revenue. If the proceeds of the tax exceed the maximum allowable revenue for all local governments within a county, the excess must be deposited in the reserve fund for the supplemental city-county relief tax. Money in this fund must not be used for any purpose other than distribution to local governments pursuant to this section. The interest earned upon the money in the fund must be added to the principal of the fund.

2. [The] *Except as otherwise provided in subsections 3 and 4, the money* in this fund must be used to increase the distribution to local governments when the actual receipts from the supplemental city-county relief tax are less than the estimates previously made by the director of the department of taxation. Whenever the sum of the money in the fund at the beginning of any fiscal year and any money which will accrue to the fund from revenues of the preceding fiscal year exceeds [\$12,500,000,] *\$15,000,000*, this excess must be

distributed to local governments in the following fiscal year in the same proportion as current receipts are distributed for that fiscal year, except that the distribution to each local government must be so limited that it does not receive from this distribution, from distributions pursuant to NRS 377.057 and from taxes ad valorem a total amount greater than its maximum allowable combined revenue. This distribution must be included in the executive director's estimate of money to be received by each local government from the supplemental city-county relief tax.

3. If the balance in the fund exceeds \$10,000,000, the interim finance committee, upon the recommendation of the department of taxation, may direct the state controller to make special distributions from the fund to compensate temporarily certain counties and cities for the loss of revenue from population-based taxes resulting from the incorporation of a new city. The amount of any distribution made pursuant to this subsection must be determined as follows:

(a) A county in which only one city existed before the incorporation of a new city in the county is entitled to receive in the first year immediately following the new incorporation the amount that it would have received if the distribution of the revenue was made on the basis of the share of population that the unincorporated area of the county excluding the new city is of the total population of the county.

(b) Each preexisting city in a county in which two or more cities existed before the incorporation of a new city in the county is entitled to receive in the

first year immediately following the new incorporation an amount equal to the difference between the amount received after the incorporation of the new city and the amount which would have been received if the new city had not been incorporated.

(c) A distribution pursuant to this section may be made for each of the 4 years immediately following the new incorporation but must be progressively reduced by 25 percent each year after the first year.

(d) For any year in which the amounts to be distributed pursuant to this subsection and subsection 4 are estimated to exceed the total amount available for distribution, the interim finance committee shall proportionally reduce each distribution made pursuant to this subsection for that year. No additional amounts may be added in other years to compensate for a reduction made pursuant to this subsection.

4. The interim finance committee may direct the state controller to make a special distribution from the fund if it determines that unforeseen or uncontrollable conditions, existing or imminent, substantially impair the financial capacity of a local government to provide the basic services for which it was created, but:

(a) Until the balance in the fund reaches \$10,000,000 no such distribution may be made; and

(b) The next \$2,500,000 transferred into the fund is available for distribution pursuant to this subsection.

In making such a determination, the committee shall consider the recommendation of the executive director of the department of taxation. The executive director and the committee shall consider, without limitation, the effect of a sudden and unusual decrease in population served, a decrease in total revenue of at least 5 percent, and natural disasters. The committee shall consider the general economic condition of the community and of the state and the effect of each proposal on the taxpayer, and make written findings of the facts supporting the distribution. The total amount which may be distributed pursuant to this subsection must not exceed 25 percent of the amount in the fund at the beginning of that fiscal year.

5. The total amount distributed pursuant to subsections 3 and 4 must not exceed \$5,000,000 in any 1 year.

SUMMARY--Revises provisions concerning calculation of maximum allowable revenue of certain local governments. (BDR 31-144)

FISCAL NOTE: Effect on Local Government: Yes.
 Effect on the State or on Industrial Insurance: No.

AN ACT relating to local governmental finances; revising the provisions governing the calculation of the maximum allowable combined revenue; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 354.5987 is hereby amended to read as follows:

354.5987 1. For the purposes of NRS 354.59805, 354.59811 and 354.59816, the maximum allowable combined revenue of any local government:

(a) Which comes into being on or after July 1, 1983, whether newly created, consolidated, or both; or

(b) Which was in existence before July 1, 1983, but did not receive revenue from taxes ad valorem, except any levied for debt service, for the fiscal year ending June 30, 1981,
must be initially established by the Nevada tax commission.

2. [If] *Except as otherwise provided in subsection 3, if the local government for which the maximum allowable combined revenue is to be established performs a function previously performed by another local government, the total revenue allowed to all local governments for performance of substantially the same function in substantially the same geographical area must not be increased. To the extent necessary to achieve this result, the Nevada tax commission shall [subtract from the maximum allowable combined revenue, the basic revenue from taxes ad valorem and the revenues from taxes ad valorem allowed by NRS 354.59805 of each local government that previously performed all or part of that function the amount expended for that purpose in the most recent fiscal year for which reliable information is available.*

3.] :

(a) Determine the percentage that the prior cost of performing the function for each predecessor local government is of the maximum allowable combined revenue of that local government;

(b) Apply the percentage determined pursuant to paragraph (a) to the basic ad valorem revenue and to the revenue from taxes ad valorem allowed by NRS 354.59805 and subtract those amounts respectively from the basic ad valorem revenue and from the revenue from taxes ad valorem allowed by NRS 354.59805 of the predecessor local government; and

(c) Then subtract from the maximum allowable combined revenue of each predecessor local government, the prior cost of performing the function.

The basic ad valorem revenue, revenue from taxes ad valorem allowed by NRS 354.59805 and maximum allowable combined revenue, respectively, attributable to the new local government for the cost of performing the function must equal the total of the amounts subtracted for the prior cost of performing the function from the basic ad valorem revenue, revenue from taxes ad valorem allowed by NRS 354.59805 and maximum allowable combined revenue, respectively, of all of the predecessor local governments.

3. If the local government for which the maximum combined allowable revenue is to be established pursuant to subsection 1 is a city, the Nevada tax commission shall:

(a) Using the maximum allowable combined revenue of the town replaced by the city, if any, as a basis, set the maximum allowable combined revenue of the city at an amount sufficient to allow the city, with other available revenue, to provide the basic services for which it was created;

(b) Set the basic ad valorem revenue of the city at an amount which bears the same ratio to the maximum allowable combined revenue of the city as the sum of the basic ad valorem revenue of the county, and any town which the city is replacing, bears to the sum of the maximum allowable combined revenue of the county and the city;

(c) Reduce the basic ad valorem revenue of the county by the amount set for the city pursuant to paragraph (b);

(d) Add to the basic ad valorem revenue of the county the basic ad valorem revenue of any town which the city has replaced; and

(e) Add to the revenue from taxes ad valorem allowed by NRS 354.59805 of the county the revenue from taxes ad valorem allowed by NRS 354.59805 for any town which the city replaced, except that the addition to the county must be limited so that the county does not receive from the supplemental city-county relief tax and taxes ad valorem an amount greater than its maximum allowable combined revenue.

4. In any other case, the total maximum allowable combined revenue of all local governments in the county, to which the limits imposed by NRS 354.59805 and 354.59816 apply, must not be increased, but the total [must be reallocated among them to accommodate the amount newly established pursuant to subsection 1.] *basic ad valorem revenue and revenue from taxes ad valorem allowed by NRS 354.59805 must be reallocated among the local governments consistent with subsection 2 to accommodate the amount established for the new local government pursuant to subsection 1.*

5. *Any amount of basic ad valorem revenue allowable which is established or changed pursuant to this section must be used to determine a new tax rate for the fiscal year ending June 30, 1981, for each affected local government. This new tax rate must be used to make the distributions required by NRS 377.057 for each year following the year in which the amount was established or changed.*

6. *As used in this section:*

(a) "Prior cost of performing the function" means the amount expended by a local government to perform a function which is now to be performed by

another local government. The amount must be determined on the basis of the most recent fiscal year for which reliable information is available.

(b) "Predecessor local government" means a local government which previously performed all or part of a function to be performed by the local government for which a maximum allowable combined revenue is being established pursuant to subsection 1.

Sec. 2. NRS 377.057 is hereby amended to read as follows:

377.057 1. The state controller, acting upon the relevant information furnished by the department, shall monthly from the fees, taxes, interest and penalties which derive from the supplemental city-county relief tax collected in all counties and from out-of-state businesses during the preceding month, after making any distributions required by NRS 377.053:

(a) Distribute the amount specified in this paragraph among the following local governments in the following percentages:

| Political Subdivision | Percent- |
|-------------------------------|----------|
| | age |
| Churchill County | 3.23 |
| City of North Las Vegas | 46.52 |
| City of Carlin | 2.72 |
| Esmeralda County | .20 |
| Eureka County | .71 |
| City of Winnemucca..... | 5.56 |
| City of Caliente..... | .46 |
| City of Yerington | 4.77 |

| | |
|-------------------------|------|
| Mineral County..... | 9.96 |
| City of Gabbs | 4.31 |
| Pershing County..... | 2.52 |
| City of Lovelock | 5.77 |
| White Pine County | 5.37 |
| City of Ely..... | 7.90 |

For the fiscal year beginning July 1, 1981, the monthly amount is \$71,110. For each succeeding fiscal year, this amount must be reduced by \$7,111 from the preceding year.

(b) Distribute to each local government the amount calculated for it by the department of taxation pursuant to subsection 2.

2. The maximum amounts distributable under paragraph (b) of subsection 1 must be estimated for each fiscal year. The percentage of maximum allowable revenue, as determined pursuant to NRS 354.59805, to be derived from the supplemental city-county relief tax must be as nearly equal among the several counties as possible. The amount apportioned to each county must then be apportioned among the several local governments therein, including the county and excluding the school district, any district to provide a telephone number for emergencies, any district created under chapter 318 of NRS to furnish emergency medical services, any redevelopment agency, any tax increment area and any other local government excluded by specific statute, in the proportion which each local government's basic ad valorem revenue bears to the total basic ad valorem revenue of all these local

governments except that no local government may receive more than the amount to which it is entitled pursuant to NRS 354.59811 and 354.59816. When any local government has received the maximum supplemental city-county relief tax calculated to be distributed to it, any remaining money otherwise distributable to it must be deposited in the reserve fund for the supplemental city-county relief tax.

3. As used in this section, the "basic ad valorem revenue":

(a) Of each local government , *except as otherwise provided in subsection 5 of NRS 354.5987*, is its assessed valuation, including assessed valuation attributable to a redevelopment agency or tax increment area but excluding net proceeds of mines, for the year of distribution, multiplied by the rate levied on its behalf for the fiscal year ending June 30, 1981, for purposes other than paying the interest on and principal of its general obligations. For the purposes of this paragraph:

(1) A county whose actual tax rate, for purposes other than debt service, for the fiscal year ending on June 30, 1981, was less than 50 cents per \$100 of assessed valuation is entitled to the use of a rate not greater than 80 cents per \$100 of assessed valuation.

(2) A fire district in such a county whose tax rate was more than 50 cents per \$100 of assessed valuation is entitled to the use of a rate not greater than \$1.10 per \$100 of assessed valuation.

(b) Of the county for the distribution under subsection 1 is the sum of its individual basic ad valorem revenue and those of the other local governments

within it, excluding the school district and any district created under chapter 318 of NRS to furnish emergency medical services.

(c) Of a local government listed in subsection 1 of NRS 354.59873 does not include any increase in the basic ad valorem revenue pursuant to that section.

4. For the purposes of this section, a fire protection district organized pursuant to chapter 473 of NRS is a local government.

5. For the purposes of determining basic ad valorem revenue, the assessed valuation of a fire protection district includes property which was transferred from private ownership to public ownership after July 1, 1986, pursuant to:

(a) The Santini-Burton Act, Public Law 96-586; or

(b) Chapter 585, Statutes of Nevada 1985, at page 1866, approved by the voters on November 4, 1986.

6. *As used in this section, "maximum allowable revenue" excludes the maximum allowable revenue of any city incorporated after July 1, 1988, except for that portion of the maximum allowable revenue of the city attributable to any town which the city replaced.*