

*Laws Relating to Financing of
Infrastructure Which Accompany Development*



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**LEGISLATIVE COMMISSION'S
SUBCOMMITTEE TO STUDY LAWS RELATING TO
FINANCING OF INFRASTRUCTURE WHICH
ACCOMPANY DEVELOPMENT**

(ASSEMBLY CONCURRENT RESOLUTION NO. 38)



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SUMMARY OF RECOMMENDATIONS

STUDY OF LAWS RELATING TO FINANCING OF INFRASTRUCTURE WHICH ACCOMPANY DEVELOPMENT (A.C.R. 38)

1. Limit the duration of pay-as-you-go financing for school improvements (NRS 387.3285) to not more than 20 years. (BDR 34-409)
2. Amend NRS 244A.785 to require voter approval to establish or change the boundaries of districts created for the support of public parks. (BDR 20-401)
3. Place provisions regarding short-term financing (NRS 354.430 through 354.460) in Chapter 350 of NRS. (BDR 30-404)
4. Require all future pay-as-you-go proposals by counties (NRS 354.59817) to be approved by the General Obligation Bond Commission. (BDR 30-409)
5. Require local governments to place one-half of 1 percent of the cost of a capital project in an account for extraordinary maintenance and renovation. This account would be established at the time bonds are sold to finance a project. The money, including accumulated interest earnings, must be used to renovate, improve, or make extensive repairs to the project in later years. The money would not be available for routine maintenance. (BDR 31-402)
6. Authorize local governments which receive revenues from property or sales taxes to establish a fund for extraordinary repair and renovation of public facilities. Provide that the money in this fund must be used only for major renovation or repair of existing facilities, not normal, recurring maintenance or repayment of bonds or other obligations. (BDR 31-402)
7. Amend paragraph d of subsection 2 of NRS 350A.190 to provide that any uncommitted balance in the municipal bond bank will be returned to the local governments which issued the bonds from which the balance resulted, rather than reverting to the State General Fund. (BDR 30-408)
8. Amend Chapter 543 of NRS to allow any county to create districts for the control of floods (NRS 543.170 through 543.760) on the same basis as counties with a population of over 400,000. (BDR 48-405)

9. Require that most bonds issued by local governments be sold at a competitive sale. (BDR 30-406)
10. Authorize refunding of outstanding local improvement district bonds. (BDR 21-407)
11. Authorize local governments to combine local improvement districts for the purpose of issuing bonds to defray the costs of projects. (BDR 21-407)
12. Amend the law regarding impact fees to:
 - a. Authorize the use of impact fees to pay for the construction of police and fire protection facilities;
 - b. Require reports regarding the progress of local governments in carrying out capital improvement plans to be filed every 3 years rather than annually;
 - c. Repeal NRS 278B.160, subsection 2, which exempts property owned by school districts from impact fees; and
 - d. Amend provisions regarding the publication of notices to require that they be published at least once each week for 2 weeks rather than once each week for 4 weeks.

(BDR 22-403)

REPORT TO THE 68TH SESSION OF THE NEVADA LEGISLATURE
BY THE LEGISLATIVE COMMISSION'S SUBCOMMITTEE TO STUDY
LAWS RELATING TO FINANCING OF INFRASTRUCTURE
WHICH ACCOMPANY DEVELOPMENT

I. INTRODUCTION

Over the past 25 years, Nevada's population has tripled. In fact, the number of people now living in Clark County is almost double the number which lived in the entire state in 1970. For almost 2 decades, Nevada has been the Nation's fastest growing state and Clark County has been its fastest growing metropolitan area. The following table shows how the population of Nevada and its two largest counties has grown.

Population Growth: 1970 to 2000					
	1970	1980	1990	2000	Percent Change
Clark County	273,288	463,087	741,459	1,169,780	328
Washoe County	121,068	193,623	254,667	337,210	179
Nevada	488,738	800,508	1,201,833	1,778,960	264

Source: Nevada Demographic Office, Bureau of Economic Research, College of Business Administration, University of Nevada, Reno

As its population has increased, Nevada also has experienced economic and commercial growth. For example, during the 1980s, in Clark County alone, over 35,000 new hotel rooms were opened. In the 1990s, Clark County is expected to add an additional 40,000 rooms.

One consequence of rapid growth has been the need to provide additional public facilities. Every year during the 1990s, Nevada will face the problem of building, from scratch, the equivalent of a city of 40,000 people, complete with streets, highways, water and sewer systems, fire and police stations, schools, and libraries.

As Nevada wrestles with the problem of paying the substantial costs of accommodating new residents and businesses, several questions have been raised. Who currently pays for the expansion of public infrastructure? Does growth pay for itself? Do the contributions new residents make to state and local

revenues offset the cost of providing them with essential services? Should current residents help pay for new infrastructure? What proportion of the cost should be borne by developers? By expanding businesses? What financing mechanisms are most appropriate?

II. PRIOR STUDIES

One of the first systematic attempts to assess the effects of growth on local governments in Nevada was the *Las Vegas Valley Fiscal Impact and Policy Study*. This study was undertaken in 1982 at the time that the United States Department of Defense was planning to base the MX missile in Nevada. The committee which undertook the study consisted of representatives of the local governments in Clark County. It endeavored to estimate the fiscal consequences of the large influx of people which would result from the construction of the missile system. Although then-President Ronald Reagan ultimately decided against basing the MX missile in Nevada, the report nevertheless provides an important overview of the consequences of growth in the Las Vegas Valley. One finding which has been repeatedly referred to in the course of the past decade was that new residents would not, under the tax policies in effect at that time, contribute enough to local revenues to offset the cost of the services they would require. The resulting shortfall was estimated to be \$717 per year for each new resident.¹

In 1987, the Nevada Legislature, concerned about the effect of rapid commercial and residential expansion on local governments, adopted Assembly Concurrent Resolution No. 18 (File No. 150, *Statutes of Nevada 1987*). This measure authorized an interim legislative study to determine the extent of the need for new public infrastructure, identify and evaluate current sources of funding, and recommend appropriate changes. The subcommittee appointed to conduct that study made several recommendations to the Legislature in 1989, resulting in the enactment of nine significant measures. Among the legislation resulting from that study were bills authorizing local governments to impose impact fees on new development and streamlining laws relating to local improvement districts and local borrowing.²

¹ *Las Vegas Valley Fiscal Impact & Policy Study: Technical Report* (Boulder, Co.: BMML 1982) p. 22.

² *Study of Financing of Commercial and Industrial Development*, Legislative Counsel Bureau Bulletin 89-18.

III. SUBCOMMITTEE ACTIVITIES

After 1989, when the previous legislative study committee reported its findings and recommendations to the Legislature, Nevada's population and economy continued to expand. Local governments in Nevada saw significant changes in local revenues and federal funding. In addition, it became apparent that the legislation enacted in 1989 should be reviewed and evaluated to determine whether it was working as anticipated.

In view of these considerations, the Legislature passed Assembly Concurrent Resolution No. 38 (File No. 174, *Statutes of Nevada 1993*). The resolution directed the Legislative Commission to appoint a subcommittee to examine the effect of new development on utilities, streets, parks, and other infrastructure; identify current methods and sources of financing for infrastructure improvements; evaluate the need for infrastructure to sustain continued development; and identify and evaluate new methods of financing. (Appendix A) In accordance with this charge, the Legislative Commission appointed the following members to serve on the subcommittee:

Assemblywoman Myrna T. Williams, Chair
Senator Lori Lipman Brown
Senator Ann O'Connell
Assemblywoman Kathy Augustine
Assemblyman Douglas A. Bache

Assembly Concurrent Resolution No. 38 also called for the Governor to appoint a 13-member advisory panel composed of representatives of local governments; the gaming industry; and developers of residential housing, commercial and industrial property, and master-planned communities. Governor Robert J. Miller appointed the following to serve on the advisory panel and assist the subcommittee in their deliberations:

Donald Brown, Representative of Local Government
Edward Collins, Representative of Commercial Developers
Mark Doppe, Representative of Residential Developers
Mary Henderson, Representative of Local Government
Guy Hobbs, Representative of Local Government
Marvin Leavitt, Representative of Local Government
Robert Lewis, Representative of Residential Developers
Nick Niarchos, Representative of Large Land Developers
Elizabeth Nozero, Representative of the Gaming Industry

Phillip C. Peckman, Representative of Commercial Developers
Irene Porter, Representative of Residential Developers
Madelyn Shipman, Representative of Local Government
(Vacancy), Representative of the Gaming Industry (resigned)

The subcommittee and the advisory panel met eight times between November 5, 1993, and July 10, 1994. In addition, at the first meeting of the subcommittee, two smaller panels were formed, consisting of members of the subcommittee and the advisory panel. The first of these smaller panels was given the responsibility of studying the fiscal effects of growth. The second panel was given responsibility for evaluating methods for financing infrastructure. These two groups held a total of three meetings.

One of the most difficult problems facing the subcommittee was determining the scope of its task. The term "infrastructure" is broad enough to encompass almost all equipment and facilities required to provide local services. The subcommittee, while recognizing that a wide variety of capital investments may be required to accommodate growth, decided to focus its inquiry on the following types of public facilities:

1. Fire and police stations;
2. Libraries;
3. Parks;
4. Drainage and flood control projects;
5. Sanitary and storm sewers;
6. Streets and roads; and
7. Water systems.

The subcommittee heard testimony from local government officials, developers, public interest groups, and private citizens. In addition, with the assistance of the Nevada Association of Counties and the Nevada League of Cities, the subcommittee conducted a survey of all counties and cities in Nevada to: (1) determine what methods of financing are presently being used; and (2) solicit recommendations for improvements in the law. Members of the subcommittee and the advisory panel also examined, in detail, statutes regarding the financing

of infrastructure. The following section of this report summarizes information regarding current financing methods received by the subcommittee.

IV. PRESENT METHODS FOR FINANCING INFRASTRUCTURE

In its analysis of the financing of infrastructure, the subcommittee recognized that it was necessary to consider both local government revenues which are available for capital improvements and methods for securing borrowed funds. In its survey of local governments, the subcommittee identified six commonly used sources of revenues for capital improvements. These are: (1) general tax revenues; (2) taxes and assessments levied by special districts; (3) taxes and fees related directly to development; (4) exactions, dedications, and contributions made by developers; (5) federal grants and loans; and (6) borrowed funds.³

A. General Revenues

General tax revenues are those over which the local government has a large measure of control. These funds are not earmarked or restricted to specific uses. The two largest sources of general revenue for local governments in Nevada are property taxes (which are referred to in the statutes as "taxes ad valorem") and sales taxes.

Property Taxes

The local governments which responded to the subcommittee's survey reported that they use revenues from property taxes to pay for the expansion and improvement of public facilities. Property taxes are a suitable source of funds to finance infrastructure for several reasons. First, there is a direct connection between infrastructure improvements and property values. In general, the construction of roads, water systems, flood control facilities, parks, fire stations, and other capital improvements enhances the value of the private property which it serves. Second, revenues from this source are relatively stable. Generally, they do not fluctuate with the business cycle, although prolonged economic difficulties may adversely affect property values. This feature makes property taxes a favored source of revenues to support debt service.

School districts and counties are authorized to levy a property tax specifically for capital improvements. This tax, commonly referred to as "pay-as-you-go"

³For a full listing of state and local sources of funding for infrastructure projects, see *Nevada Issues*, Nevada Taxpayers Association, Issue #2, May 1994.

financing, allows these units of government to finance some capital improvements without going into debt. School districts with 25,000 or fewer pupils may impose a tax of up to 75 cents per \$100 assessed valuation. Larger districts may impose a tax of up to 50 cents per \$100 assessed valuation. The tax must be approved by the voters. The proceeds are deposited in the school district's fund for capital improvements and may accumulate for a period of up to 20 years before being expended to build or improve school buildings.⁴ At present, this tax is levied by school districts in the counties of Elko (75 cents), Humboldt (25 cents), Lander (25 cents), and White Pine (50 cents).

Counties may, with the approval of the voters, levy a tax of up to 15 cents per \$100 assessed valuation for capital projects for a period of up to 10 years. The proceeds are deposited in the county fund for capital projects and may be expended to acquire, improve, or construct public facilities.⁵ Without voter approval, counties may levy a tax of 5 cents per \$100 assessed valuation. The proceeds of this tax are divided between the county and its cities and towns in proportion to the amount which they received in distributions of revenue from the supplemental city/county relief tax in fiscal year 1990-91. The proceeds must be deposited in each local government's special ad valorem capital projects fund.⁶

Nevada's property tax system differs from that of other states. One peculiar feature is that, although the taxable value of land is its market value, the taxable value of improvements is determined by a combination of age and estimated replacement cost. When a house or other improvement is initially constructed, the taxable value is its replacement cost. As the improvement ages, that value is decreased by an allowance for depreciation equal to 1 and one-half percent per year. This depreciation continues for 50 years, when the improvement reaches its residual value of 25 percent.⁷ One consequence of this method of assessment is that owners of new homes pay substantially more than those who reside in older homes. Another result is that local governments which are experiencing little population growth and limited new construction may find that their property tax base is gradually eroding. Under our current fiscal system, continued growth is an essential prerequisite to local government solvency.

⁴ *Nevada Revised Statutes* (NRS) 387.328 through 387.3287.

⁵ NRS 354.59817.

⁶ NRS 354.59815 and 354.598155.

⁷ NRS 361.227.

Sales Taxes

The sales and use tax is actually a combination of five separate levies, each distributed differently and designated for a different purpose. These levies are:

<u>TYPE OF TAX</u>	<u>PERCENT</u>
State Sales and Use Tax	2.00
Local School Support Tax	2.25
Basic City/County Relief Tax	.50
Supplemental City/County Relief Tax	1.75
Optional Local Taxes	Up to .75

Three components of the sales tax--the basic city/county relief tax, the supplemental city/county relief tax, and the optional local taxes--deserve special consideration because of their role in infrastructure finance. The **basic city/county relief tax** is distributed to the county in which it was collected. Within the county, the proceeds are distributed between the county government and any incorporated cities. If there are no incorporated cities in the county, the county government receives the entire amount. If there is one incorporated city, the proceeds are divided between the county and the city according to the proportion of the population which lives in the city versus the portion which lives in the unincorporated area of the county. If the county has two or more incorporated cities, the entire amount is divided between the cities on the basis of population.⁸

The revenues from the **supplemental city/county relief tax** are distributed to all local governments with the exemption of school districts and certain special districts. The distribution takes place in two steps. First, revenues are distributed among the counties in the state according to a complex formula which takes into account past distributions and changes in population and the consumer price index. Second, each county's allotment is distributed among the local governments on the basis of the assessed valuation of the property in each jurisdiction and the tax rate which each local government levied in fiscal year 1981.⁹ Because the distribution at the county level is based, in part, on assessed valuation, the formula tends to favor communities which are experiencing rapid development, at the expense of their slower growing neighbors.

⁸NRS 377.055.

⁹NRS 377.057.

Optional local taxes may, as a rule, be levied only with the consent of the voters and expended only for a specific purpose. Several of the optional local sales taxes are earmarked specifically for infrastructure projects. For example, counties may levy a sales tax of not more than one-half of 1 cent for mass transit or the construction of public roads.¹⁰ Clark County is authorized to levy a sales tax of one-quarter of 1 cent to pay for the construction of flood control projects.¹¹ Mineral County is authorized to levy a tax of up to one-half of 1 cent for the construction or improvement of public schools.¹² Washoe County may impose a tax of one-quarter of 1 cent for the purpose of acquiring, developing, and maintaining land for open space.¹³

New development contributes, to a significant extent, to sales tax revenues. Taxes on construction materials, equipment, and supplies probably exceeds 10 percent of total collections. Sales taxes paid on materials used in a home selling for \$100,000 amount to an estimated \$2,500 to \$3,000.¹⁴ If development were to slow down or cease, local governments could face serious revenue shortfalls.

B. Special Districts

Special districts are an instrument for charging people who live in a particular neighborhood or area for the cost of providing a service or constructing a capital improvement from which they will benefit.

General improvements districts (GIDs) may be formed under the provisions of Chapter 318 of *Nevada Revised Statutes* (NRS). These districts are functioning units of local government with their own elected governing boards. General improvement districts have the power to furnish a wide range of services and to construct a variety of capital improvements. They may, for example, distribute electrical power; exterminate pests; maintain cemeteries; operate swimming pools; construct cable television systems; build streets, sidewalks, gutters, and curbs; control flooding and storm drainage; furnish sanitary sewer service; put up fences; provide street lights; furnish water; supply heating systems; and provide

¹⁰Chapter 377A of NRS.

¹¹NRS 543.600.

¹²Chapter 779, *Statutes of Nevada 1993*.

¹³Chapter 376A of NRS.

¹⁴Minutes, November 30, 1993, p. 4.

emergency medical and fire protection services.¹⁵ In one instance, these districts are even authorized to furnish facilities for public schools.¹⁶ Some GIDs provide a wide range of services, functioning almost like a municipality. In most other instances, they furnish a single type of service.

General improvement districts have broad financial powers. They may levy property taxes¹⁷ and, in most cases, are eligible to receive distributions of revenue from the supplemental city/county relief tax. A GID may also issue general obligation bonds, revenue bonds, and short term notes.¹⁸ Like local improvement districts, which are discussed below, these districts are authorized to finance the cost of capital improvements through special assessments on owners of adjoining property.¹⁹

Local improvement districts, unlike GIDs, are not functioning units of local government. They are simply areas designated by counties, cities, or unincorporated towns in order to charge the people living there for the cost of constructing a capital improvement. These districts, created under the authority of Chapter 271 of NRS, are commonly used throughout the state. Local improvement districts may construct any of the following types of infrastructure: curbs and gutters, drainage facilities, overpasses, parks, sanitary sewers, security walls, sidewalks, storm sewers, streets, facilities for public transportation, underpasses, and water systems.²⁰ All or part of the cost of these projects may be defrayed by special assessments on the property owners who are benefitted by the improvements. The municipality which organizes the district may issue bonds to finance its cost²¹ and repay them using the proceeds of the assessments.

¹⁵NRS 318.116.

¹⁶NRS 318.318.136 through 318.139.

¹⁷NRS 318.225, *et seq.*

¹⁸NRS 318.275, *et seq.*

¹⁹NRS 318.350.

²⁰NRS 271.265.

²¹NRS 271.475, *et seq.*

C. Fees and Taxes on Development

A third source of funds for infrastructure improvements, in addition to those previously discussed, are fees and taxes which apply specifically to new construction. In addition to traditional costs, such as sewer and water hook-up fees, these include impact fees, fees for the improvement of transportation, and residential construction taxes.

As was noted earlier, **impact fees** were authorized by legislation developed by the legislative study completed in 1989. Provisions governing these fees are found in Chapter 278B of NRS. Impact fees are charges imposed by local governments on new development to finance the expansion or improvement of capital facilities to accommodate the development. The use of these revenues is severely restricted. They may not be used to cover the operating expenses of local governments or to pay for improvements which benefit current residents. The funds cannot be used to repair, maintain, or improve current capital facilities.²² The fee may not exceed the actual cost of the improvement, and any portion which is not spent within 10 years must be refunded.²³ Under current law, impact fees may be assessed to pay for drainage facilities, sanitary sewers, storm sewers, streets, and water systems.²⁴

Although the impact fee law has been in effect since 1989, its use has been limited to one jurisdiction. Only the City of Reno has, thus far, chosen to use this financing mechanism, and its use has been restricted to paying for improvements to streets. Reno's impact fee ordinance, which went into effect in 1991, imposes fees for different land uses based on estimates of the amount of traffic which those uses generate.²⁵ The following table shows the fee schedule.

²²NRS 278B.280.

²³NRS 278B.230 and 278B.260.

²⁴NRS 278B.020.

²⁵*Reno Municipal Code*, Chapter 18.27.

SCHEDULE OF STREET PROJECT IMPACT FEES		
<i>Land Use Type</i>		<i>Impact Fee</i>
Residential	Single-Family (per dwelling unit)	\$1,163
	Multi-Family (per dwelling unit)	746
	Mobile Home (per dwelling unit)	519
Schools	Elementary/Middle (per employee)	553
	High School (per employee)	1,100
Non-Residential	Industrial (per 1,000 square feet)	557
	General Office (per 1,000 square feet)	1,281
	General Commercial (per 1,000 square feet)	1,793
	Hospitals (per bed)	1,357
	Nursing Homes (per bed)	329
	Hotel/Motel (per room)	876
	Recreation (per acre)	198

Source: *Reno Municipal Code*, Section 18.27.070

Impact fees have a number of features which make them an attractive source of funds for infrastructure. They are fair and predictable. Unlike exactions, which can be imposed only on developers who need zoning approval, impact fees fall on all new development regardless of size. (Exactions are discussed in greater detail below.) Developers are able to plan in advance and make accurate cost estimates knowing the exact amount which they will be required to pay. Their main drawback of impact fees is that they are still relatively new. Many local officials are unfamiliar with their use. In addition, they are regarded as cumbersome to administer as the local government is required to complete detailed studies of the cost of each project and the portion of the cost which may be assigned to each type of development.

A second major charge on new development, at least in Clark County, is the **tax for the improvement of transportation**. This tax, which was authorized by the Legislature in 1991 following the passage of a ballot question at the 1990 General Election, is imposed at a rate of up to \$500 for each new home and up to 50 cents per square foot on other new construction.²⁶ The proceeds of the tax

²⁶NRS 278.710. See also *Clark County Code*, Chapter 4.22.

may be used for the construction or improvement of streets, highways, sidewalks, and related transportation facilities.

Residential construction taxes are a third major levy on new development. Counties and cities are authorized to impose a tax of up to \$1,000 per dwelling unit or 1 percent of the value (whichever is greater) on new residences for the purpose of acquiring and developing neighborhood parks. If the developer dedicates land for parks, he receives a credit against the tax for the value of the land. The proceeds of the tax must be expended within 3 years of the time the subdivision is 75 percent complete.²⁷ Counties with fewer than 35,000 inhabitants may impose a residential construction tax at a rate of up to \$1,000 per dwelling unit to pay for public schools.²⁸ The proceeds are deposited in the school district's capital projects fund and may be used for the construction, improvement, or expansion of educational facilities. This tax is currently levied in Douglas and Storey Counties.

D. Exactions and Contributions

As a condition of obtaining zoning approval for a project, developers are frequently required to make concessions. These concessions (commonly called "**exactions**") often include such things as dedicating land for parks or schools, paving and improving streets, installing oversized sewer or water lines, or paying for traffic signals on adjacent roads. These infrastructure improvements are intended to offset the impact of new development on the community. Although the use of exactions seems to be universal among local governments in Nevada, relatively little data is available regarding their extent or cost. Exactions, since they represent expenditures by developers, do not show up in local government budgets and are not reported to any central agency. Nevertheless, they are of considerable importance. In Clark County, exactions, along with special fees, add as much as \$20,000 to the cost of a \$100,000 home.²⁹

The exaction process has been frequently criticized by builders. It tends to be arbitrarily applied. Large developers are more likely to be required to make concessions than are small builders. Developers using land which is already properly zoned may escape altogether. Local governments, on the other hand, regard exactions as an essential tool for assuring orderly development and mitigating its cost to the community.

²⁷NRS 278.497 through 278.4987.

²⁸NRS 387.329 through 387.332.

²⁹Minutes, November 30, 1993, p. 8-9.

E. Federal Funds

Although the Federal Government makes only a limited contribution to financing local infrastructure, the funds are significant for some communities. In their response to the subcommittee's survey, several rural counties and small cities reported that they had used loans or grants from the U.S. Farmer's Home Administration to construct or improve water and sewer systems. These grants and loans are available to communities with 10,000 or fewer inhabitants.³⁰ Community Development Block Grants are another source of federal funds which communities may use for infrastructure projects. The money must be used for projects which primarily benefit low and moderate income families.³¹

F. Borrowed Funds

Most major capital projects at the local level are financed with borrowed funds for two reasons. First, capital expenditures tend to come in large "lumps." That is, the expenditures required to build a new school, library, or sewer treatment plant are relatively large in comparison with the current revenues of local governments. Rarely are enough funds available in a single fiscal year to undertake a project of this size. Second, the use of borrowed funds is considered more equitable. Those funds are generally repaid over long periods of time, often as much as 30 years. Thus, new residents who come to the community after the improvement has been made and enjoy the benefits of its use, also share in the cost.

As was mentioned above, pay-as-you-go financing provides an alternative to borrowing for counties and school districts. Under this procedure, a tax is levied and revenues are accumulated for a period of several years before the capital improvement is made. Pay-as-you-go financing is more fiscally conservative than borrowing and relieves the local government of the burden of paying interest on borrowed funds. In fact, interest may be earned if money is accumulated in the fund for a significant period of time. For rapidly growing communities, pay-as-you-go financing may not be entirely equitable, since it places upon current residents the entire cost of the improvements while new residents enjoy their use. However, at the present time, pay-as-you-go financing plays a relatively minor role in financing most types of infrastructure in Nevada.

For local governments, borrowing usually takes the form of issuing bonds. Bonds may be divided into two categories--general obligation bonds and revenue bonds.

³⁰For a description of this program, see the *Catalogue of Federal Domestic Assistance*, United States Office of Management and Budget, Program Number 10.418.

³¹*Catalogue of Federal Domestic Assistance*, Programs Number 14.218 and 14.219.

General obligation bonds are backed by the full faith and credit of the community and are generally repaid from property tax revenues. As a rule, general obligation bonds must be approved by the voters. Short-term notes and bonds, those with a term of 10 years or less, are an exception to this rule. These obligations may be issued without voter approval. However, short-term financing must be approved by the Nevada Tax Commission and must usually be repaid from the regular revenues of the local government.³²

Projects which generate a regular stream of revenues, such as user fees, may be financed through **revenue bonds** (which are referred to in the NRS as "special obligations"³³). Since they are not general obligations of the local government, the purchasers of these bonds have no recourse if the revenues from the project are insufficient to repay the debt. Revenue bonds, because they are more risky, generally carry a higher interest rate. They may, however, be issued without voter approval.

A third category of obligations, **general obligation backed revenue bonds**, which are colloquially referred to as "double-barrel bonds," are a hybrid of the first two. Like revenue bonds, they are repayable primarily from the revenues generated by a project but, like general obligation bonds, these securities are also considered general obligations of the local government which issues them. In other words, if the revenues from the project are not adequate to repay the debt, the local government must repay it from its other revenues. These bonds may be issued without voter approval. However, if at least 5 percent of the voters and corporations owning at least 2 percent of the property petition for an election, the proposed bond issue must be submitted to the voters for their approval.³⁴

Because general obligation debt is generally repayable from property tax revenues and because local governments in each county share much of the same property tax base, it is important that these debt issues be coordinated. Therefore, a General Obligation Bond Commission, consisting of representatives of local governments, has been created in each county.³⁵ Before a local government can present a proposal to issue general obligation bonds to the

³²NRS 354.430 through 354.460.

³³NRS 350.582.

³⁴NRS 350.020, subsection 3.

³⁵NRS 350.002.

voters, it must obtain the approval of two-thirds of the members of the commission.³⁶ In addition, each local government is required to submit to the commission an annual report of its indebtedness and a debt management plan.

The Legislature has created several programs to assist local governments in borrowing to finance infrastructure. The **municipal bond bank**, created in 1981, is administered by the State Treasurer. It purchases bonds from local governments (many of which are too small to attract bids on the competitive market), financing the purchases by issuing state securities³⁷ which, because of the state's more favorable credit rating, carry a lower rate of interest. The bond bank is authorized to issue up to \$600 million in state securities. As of the end of fiscal year 1994, slightly over \$51 million had been issued.

In 1991, the Legislature created two programs to assist in the improvement of local water systems. These programs, which allow the state to make loans to cover the cost of capital improvements, are available to both privately-owned and publicly-owned systems.³⁸ Preference is given to those systems which serve fewer than 6,000 persons. These programs have been particularly helpful to small communities that face the problem of upgrading systems to meet the standards of the Federal Safe Drinking Water Act. More than \$7.7 million in state securities have been issued to finance these loans at the end of fiscal year 1994.

In 1989, the Legislature created a program which allows the State Department of Conservation and Natural Resources to make loans for the construction of wastewater treatment facilities. As of the end of fiscal year 1994, almost \$2 million in state securities had been issued for this purpose.³⁹

V. SUBCOMMITTEE RECOMMENDATIONS

At the conclusion of its deliberations, the subcommittee adopted 12 recommendations for changes in state laws relating to the financing of infrastructure. This section explains and summarizes each of these proposed changes. Appendix B contains copies of the bill draft requests (BDR) relating to each recommendation.

³⁶NRS 350.004.

³⁷NRS 350A.010 through 350A.210.

³⁸NRS 349.970 through 349.987.

³⁹NRS 445.041 through 445.062.

1. Limit the duration of pay-as-you-go financing for school improvements (NRS 387.3285) to not more than 20 years. (BDR 34-409)

As was mentioned above, school districts are authorized to levy a property tax of up to 75 cents in counties with fewer than 25,000 pupils, or 50 cents in counties with 25,000 or more pupils. This tax must be approved by a vote of the people. The proceeds may be used to construct or improve public schools.

At present, the law does not specify any time limit for this levy. Similar pay-as-you-go provisions for counties are limited to a maximum duration of 10 years. Because circumstances change and local fiscal priorities are not always the same, the subcommittee recommends that the voters be given an opportunity to periodically reconsider this levy.⁴⁰

2. Amend NRS 244A.785 to require voter approval to establish or change the boundaries of districts created for the support of public parks. (BDR 20-401)

During the 1993 Session, the Legislature enacted Senate Bill 307 (Chapter 36, *Statutes of Nevada 1993*) which provides for the creation of districts for the support of public parks in Clark County. With the approval of the voters, these districts may issue general obligation bonds in an amount not exceeding 10 percent of assessed value for the purpose of financing the acquisition or development of parks. After a district has been created, the law presently allows the board of county commissioners to alter its boundaries without voter approval.⁴¹ Testimony before the subcommittee indicated alterations of this kind could result in some taxpayers, who had not lived in the district at the time debt was issued, becoming liable for bonds which they had not voted to approve.⁴²

3. Place provisions regarding short-term financing (NRS 354.430 through 354.460) in Chapter 350 of NRS. (BDR 30-404)

Provisions governing the use of short-term financing by local governments are presently found in Chapter 354 of NRS ("Local Financial Administration"). This chapter is largely concerned with budgeting and accounting. Most other provisions regarding the issuance of debt by local governments are found in

⁴⁰Minutes of May 3-4, 1994, pp. 18-19.

⁴¹NRS 244A.785, subsection 2.

⁴²Minutes, May 3-4, pp. 20-21.

Chapter 350 ("Municipal Obligations"). Citizens who are unfamiliar with the statutes might expect to find all references to local borrowing in the same chapter. To avoid confusion, the subcommittee recommends that these provisions be moved.

- 4. Require all future pay-as-you-go proposals by counties (NRS 354.59817) to be approved by the General Obligation Bond Commission. (BDR 30-409)**

As was noted above, Nevada's law requires that each county form a General Obligation Bond Commission to approve all proposed issues of general obligation debt. This commission must also approve pay-as-you-go financing proposals made by school districts since this type of financing has the same effect on local tax rates as the issuance of debt would have.⁴³ Counties are not currently required to submit proposals for pay-as-you-go financing to the commission. The subcommittee recommends that the Legislature correct this inconsistency.

- 5. Require local governments to place one-half of 1 percent of the cost of a capital project in an account for extraordinary maintenance and renovation. This account would be established at the time bonds are sold to finance a project. The money, including accumulated interest earnings, must be used to renovate, improve, or make extensive repairs to the project in later years. The money would not be available for routine maintenance. (BDR 31-402)**

All capital facilities must eventually be renovated or repaired in order to extend their life and enhance their usefulness. At present, major renovations and repairs are often difficult to finance. The subcommittee recommends that this problem be taken into account at the time a facility is initially constructed by including funds for that purpose in the original bond issue.⁴⁴

- 6. Authorize local governments which receive revenues from property or sales taxes to establish a fund for extraordinary repair and renovation of public facilities. Provide that the money in this fund must be used**

⁴³NRS 350.001.

⁴⁴Minutes, May 3-4, pp. 24-25.

only for major renovation or repair of existing facilities, not normal, recurring maintenance or repayment of bonds or other obligations. (BDR 31-402)

In years when revenues are higher than usual, it is unwise for local governments to commit surplus funds to ongoing programs which cannot be sustained later. The subcommittee recommends that the Legislature allow local governments to establish a fund in which these revenues could be deposited and later used to repair or renovate public facilities.

- 7. Amend paragraph d of subsection 2 of NRS 350A.190 to provide that any uncommitted balance in the municipal bond bank will be returned to the local governments which issued the bonds from which the balance resulted, rather than reverting to the State General Fund. (BDR 30-408)**

As was explained earlier, the state helps local governments borrow on favorable terms by purchasing their bonds through the municipal bond bank. On some occasions, when interest rates are falling, the bond bank may be able to engage in transactions which will temporarily increase its revenues above the level needed to operate the program. Currently, the law provides for these revenues to revert to the State General Fund. In 1993, about \$2.7 million from the uncommitted balances in the fund for the municipal bond bank were transferred to the State General Fund. The subcommittee is of the opinion that any such uncommitted balance should, instead, be distributed to the local governments which have financed capital projects through the municipal bond bank.

- 8. Amend Chapter 543 of NRS to allow any county to create districts for the control of floods (NRS 543.170 through 543.760) on the same basis as counties with a population of over 400,000. (BDR 48-405)**

All counties in Nevada are authorized to organize districts for the control of floods and to acquire or construct flood control facilities. However, the law includes several distinct provisions which apply only to Clark County. For example, in Clark County, the entire county is included in the district. In other counties, the board of county commissioners may determine the boundaries of the district,⁴⁵ and individual property owners may petition to have their

⁴⁵NRS 543.250.

holdings excluded.⁴⁶ Clark County is also allowed to imposed a sales tax of one-quarter of 1 percent to support the district⁴⁷ while other counties may not.

The subcommittee recommends that, because of population growth in the remainder of the state and the need to protect lives and property, all counties should be allowed to organize their flood control districts and collect revenues in the same manner as Clark County.

9. Require that most bonds issued by local governments be sold at a competitive sale. (BDR 30-406)

Municipal bonds are generally sold in one of two ways. The first is through a competitive sale to the bidder offering the lowest rate of interest. The second method is through a negotiated sale. In this case, the rate of interest is determined by negotiation between the local government issuing the bonds and a single buyer, often a bank or other financial institution. There is some evidence that negotiated sales result in bonds being sold on less favorable terms than could be secured in the competitive market. However, there are some cases in which a negotiated sale of bonds may be the best option. For example, if the issue is unusual in some way (such as a revenue bond which is to be repaid from an uncommon revenue source or a small, unrated issue of general obligation bonds), it may be difficult to secure competitive bids. The subcommittee concluded, however, that general obligation bonds which are capable of being rated at investment grade (BBB or higher by *Standard and Poor's Corp.*, a national bond rating service) should be sold competitively whenever possible.

10. Authorize refunding of outstanding local improvement district bonds. (BDR 21-407)

When interest rates in the market fall, local governments can sometimes realize substantial savings by calling bonds previously issued and repaying them with the proceeds of a new bond issue. This process is commonly known as refunding. The statutes do not authorize local governments to refund local improvement district bonds. Because this process could save money for property holders who pay special assessments, the subcommittee recommends that refunding be permitted.

⁴⁶NRS 543.675.

⁴⁷NRS 543.600.

11. Authorize local governments to combine local improvement districts for the purpose of issuing bonds to defray the costs of projects. (BDR 21-407)

In large urban areas, such as metropolitan Clark County, local governments may sometimes be in the process of organizing several local improvement districts at the same time. Because of the relatively small amount of money required, it is often not economical to issue bonds to finance a single project. However, if several projects were financed jointly, bonds could be sold on more favorable terms. The statutes do not, at present, authorize this practice, and the subcommittee recommends that the law be amended to include such authorization.

12. Amend the law regarding impact fees to:

- a. Authorize the use of impact fees to pay for the construction of police and fire protection facilities;**
- b. Require reports regarding the progress of local governments in carrying out capital improvement plans to be filed every 3 years rather than annually;**
- c. Repeal NRS 278B.160, subsection 2, which exempts property owned by school districts from impact fees; and**
- d. Amend provisions regarding the publication of notices to require that they be published at least once each week for 2 weeks rather than once each week for 4 weeks.**

(BDR 22-403)

Local governments are currently authorized to collect impact fees only for drainage facilities, sewers, streets, and water systems.⁴⁸ Police substations and fire stations, which are built to serve newly-developed neighborhoods, cannot currently be financed through impact fees. The subcommittee recommends that the scope of the law be widened to include these costly, but necessary, structures. The subcommittee recognizes that many fire stations are also used as a base for vehicles and crews providing emergency medical services, but the subcommittee does not intend that impact fees be used to pay for vehicles such as fire trucks or ambulances based in these facilities or to cover the cost of supplies and equipment. Further, the subcommittee does not intend that impact fees be used to purchase vehicles, supplies, or equipment for police stations or substations.

⁴⁸NRS 278B.020.

School district property is currently exempt from impact fees. Although a fee for school facilities must be computed for the purpose of allocating the total cost of a project, the county or city which imposed the fee must bear its cost. This arrangement causes the true cost of school facilities to be underestimated. Since the costs of the improvement must be borne by the same taxpayers in either case, the subcommittee recommends that this exemption be repealed.

Representatives of local governments testified that they are reluctant to use impact fees as a source of revenue for infrastructure in part because the process prescribed by the law for assessing these fees is overly cumbersome. The subcommittee recommends that the law be amended to simplify this process, to some extent, by reducing the number of required reports and notices.

APPENDIX A

Assembly Concurrent Resolution No. 38

(File No. 38, *Statutes of Nevada 1993*)

Assembly Concurrent Resolution No. 38—Committee on
Elections and Procedures

FILE NUMBER 174

ASSEMBLY CONCURRENT RESOLUTION—Directing the Legislative Commission to conduct an interim study of the laws relating to the financing of infrastructure which accompany residential, commercial and industrial development in this state.

WHEREAS, Nevada is one of the fastest growing states in the nation; and
WHEREAS, The continued development of the residential, commercial, resort and industrial sectors of Nevada's economy is vitally important to the future of this state; and

WHEREAS, The cost of providing the infrastructure for this development is passed on to the consumer in the form of higher costs; and

WHEREAS, Providing adequate infrastructure to serve new development is of benefit to the whole community; and

WHEREAS, Laws governing the methods used and methods which may be used to provide and finance the necessary public facilities and public works need to be examined to ensure an equitable distribution of the costs of providing these public improvements; now, therefore, be it

RESOLVED BY THE ASSEMBLY OF THE STATE OF NEVADA, THE SENATE CONCURRING, That the Legislative Commission is hereby directed to appoint an interim study committee composed of three members from the Assembly and two members from the Senate to conduct a comprehensive study of the laws governing the methods used to finance the infrastructure for new residential, commercial and industrial development in this state; and be it further

RESOLVED, That the Legislative Commission shall designate a chairman from among the three members of the Assembly; and be it further

RESOLVED, That the study include:

1. An examination of the effect on new development of providing services for utilities, streets, parks and other infrastructure;
 2. An identification of all the methods and sources of financing authorized by the laws of this state and local ordinances, and the use or lack of use by local governments of these methods and sources of financing;
 3. An evaluation of the projected need for infrastructure necessary to sustain continued future development; and
 4. An identification and examination of revisions or expansions of current methods which may be used to finance infrastructure to accompany new residential, commercial and industrial development; and
 5. An identification and examination of any new methods which may be used to finance infrastructure for residential, commercial and industrial development; and
 6. The examination of all current and future financing methods, including, but not limited to, property tax, special taxes, sales tax, fees, bonds, exactions, special assessments, development charges, contributions, dedications, impact fees and any other methods used or which may be used by local governments, special districts or agencies to contribute to the financing of infrastructure;
- and be it further

RESOLVED, That the Governor is hereby directed to appoint 13 persons as members of an advisory committee to assist the interim study committee appointed by the Legislative Commission to study the financing of infrastructure for residential, commercial and industrial development; and be it further

RESOLVED, That the advisory committee consists of representatives from the following areas:

1. Five members involved in local government;
2. Three members involved in residential housing development;
3. Two members involved in gaming and resort development;
4. Two members involved in commercial or industrial development; and
5. One member involved in a large land development which will become a master planned community;

and be it further

RESOLVED, That the Legislative Commission report the results of its study and any recommended legislation to the 68th session of the legislature.

APPENDIX B

Bill Draft Requests

SUMMARY--Revises provisions relating to alteration of boundaries of certain districts for support of public parks. (BDR 20-401)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to public parks; requiring the board of county commissioners in certain counties to hold an election for the alteration of the boundaries of a district for the support of public parks; requiring that certain information relating to the future costs of a district whose boundaries are proposed to be altered be included in the sample ballot for the election; 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 244A.785 is hereby amended to read as follows:

244A.785 1. The board of county commissioners of a county whose population is 400,000 or more may , by ordinance , create one or more districts within the unincorporated area of the county for the support of public parks. Such a district may include territory within the boundary of an incorporated city if so provided by interlocal agreement between the county and the city.

2. The ordinance creating a district must specify its boundaries. The area included within the district may be contiguous or noncontiguous. [The board of county commissioners may alter the boundaries by ordinance.] The boundaries set by the ordinance are not affected by later annexations to or incorporation of a city.

3. If the board of county commissioners proposes to alter the boundaries of a district for the support of public parks, it shall, at the next primary or general election, submit to the registered voters who reside in the proposed area which was not previously included in the district, the question of whether the boundaries of the district shall be altered. If a majority of the voters approve the question, the board shall, by ordinance, alter the boundaries of the district as approved by the voters.

4. The sample ballot required to be mailed pursuant to NRS 293.565 must include for the question described in subsection 3, a disclosure of any future increase or decrease in costs which may be reasonably anticipated in relation to the purposes of the district for the support of public parks and its probable effect on the district's tax rate.

SUMMARY--Provides for establishment of funds for extraordinary repair, maintenance or improvement of certain buildings of local government. (BDR 31-402)

FISCAL NOTE: Effect on Local Government: Yes.

Effect on the State or on Industrial Insurance: Yes.

AN ACT relating to local financial administration; requiring a local government to establish a fund for the extraordinary maintenance, repair or improvement of certain capital projects; requiring a local government to allocate a percentage of the amount of bonds sold for certain capital projects for deposit in that fund; requiring the legislative auditor to review the audits of the fund periodically and submit a written report of that review to the legislative commission; 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 354 of NRS is hereby amended by adding thereto the provisions set forth as sections 2 and 3 of this act.

Sec. 2. 1. *A local government shall establish a fund for extraordinary maintenance, repair or improvement for each capital project it undertakes, except a capital project for the construction of public roads. The local*

government shall allocate an amount equal to one-half of 1 percent of the total amount of the bonds sold for such a capital project and deposit that amount in the fund. The proceeds from the sale of those bonds or any other money of the local government may be used to carry out the provisions of this subsection.

2. Any interest and income earned on the money in the fund in excess of any amount which is reserved for rebate payments to the Federal Government pursuant to 26 U.S.C. § 148, as amended, or is otherwise required to be applied in a specific manner by the Internal Revenue Code of 1986, as amended, must be credited to the fund.

3. The money in the fund may be used only for the extraordinary maintenance, repair or improvement of the capital project or a facility which replaces that capital project. The money in the fund at the end of the fiscal year may not revert to any other fund or be a surplus for any purpose other than the purpose specified in this subsection.

4. The annual budget and audit report of the local government prepared pursuant to NRS 354.624 must specifically identify:

(a) Each fund established pursuant to this section and indicate in detail any extraordinary maintenance, repairs or improvements of the capital project that have been funded with money from the fund; and

(b) Any planned accumulation of money in each fund.

The audit report must include a statement by the auditor whether the local government has complied with the provisions of this subsection.

5. The local government shall provide a copy of the audit report to the legislative auditor not later than 30 days after the report is completed. The

legislative auditor may review the working papers of the auditor and conduct an audit of any of the funds established pursuant to this section if he determines an audit is necessary.

6. As used in this section, "extraordinary maintenance, repair or improvement" means all expenses ordinarily incurred not more than once every 5 years to maintain a capital project in a fit operating condition.

Sec. 3. 1. A local government may establish a fund for the extraordinary maintenance, repair or improvement of local governmental facilities.

2. Any interest and income earned on the money in the fund in excess of any amount which is reserved for rebate payments to the Federal Government pursuant to 26 U.S.C. § 148, as amended, or is otherwise required to be applied in a specific manner by the Internal Revenue Code of 1986, as amended, must be credited to the fund.

3. The money in the fund may only be used for the extraordinary maintenance, repair or improvement of existing local governmental facilities or facilities which replace those facilities. The money in the fund at the end of the fiscal year may not revert to any other fund or be a surplus for any purpose other than the purpose specified in this subsection.

4. If the fund is established, the local government shall establish a plan for the extraordinary maintenance, repair or improvement of its governmental facilities.

5. The annual budget and audit report of the local government prepared pursuant to NRS 354.624 must specifically identify the fund and:

(a) Indicate in detail the extraordinary maintenance, repairs or improvements of the governmental facilities that have been funded with money from the fund;

(b) Specify the amount of money, if any, that will be deposited in the fund for the next fiscal year;

(c) Specify any proposed extraordinary maintenance, repairs or improvements of governmental facilities that will be funded with money from the fund during the next fiscal year; and

(d) Identify any planned accumulation of the money in the fund.

The audit report must include a statement by the auditor whether the local government has complied with the provisions of this subsection.

6. The local government shall provide a copy of the audit report to the legislative auditor not later than 30 days after the report is completed. The legislative auditor may review the working papers of the auditor and conduct an audit of the fund if he determines an audit is necessary.

7. As used in this section, "extraordinary maintenance, repair or improvement" means all expenses ordinarily incurred not more than once every 5 years to maintain a local governmental facility in a fit operating condition.

Sec. 4. NRS 354.474 is hereby amended to read as follows:

354.474 1. Except as otherwise provided in subsections 2 and 3, the provisions of NRS 354.470 to 354.626, inclusive, *and sections 2 and 3 of this act*, apply to all local governments. For the purpose of NRS 354.470 to 354.626, inclusive, *and sections 2 and 3 of this act*, "local government" means every political subdivision or other entity which has the right to levy or receive money from ad valorem or other taxes or any mandatory assessments, and

includes , without limitation , counties, cities, towns, boards, school districts and other districts organized pursuant to chapters 244A, 309, 318, 379, 474, 541, 543 and 555 of NRS, NRS 450.550 to 450.700, inclusive, and any agency or department of a county or city which prepares a budget separate from that of the parent political subdivision.

2. An irrigation district organized pursuant to chapter 539 of NRS shall fix rates and levy assessments as provided in NRS 539.667 to 539.683, inclusive. The levy of such assessments and the posting and publication of claims and annual financial statements as required by chapter 539 of NRS shall be deemed compliance with the budgeting, filing and publication requirements of NRS 354.470 to 354.626, inclusive, but any such irrigation district which levies an ad valorem tax shall comply with the filing and publication requirements of NRS 354.470 to 354.626, inclusive, in addition to the requirements of chapter 539 of NRS.

3. An electric light and power district created pursuant to chapter 318 of NRS shall be deemed to have fulfilled the requirements of NRS 354.470 to 354.626, inclusive, for a year in which the district does not issue bonds or levy an assessment if the district files with the department of taxation a copy of all documents relating to its budget for that year which the district submitted to the Rural Electrification Administration of the United States Department of Agriculture.

Sec. 5. The legislative auditor shall review the first five annual audit reports of each fund established pursuant to section 2 of this act which are provided to him by a local government to determine whether the local government has

complied with the provisions of section 2 of this act. The legislative auditor shall prepare a written report of the review of the audits for each fund and submit a copy of the report to the legislative commission for transmittal to the next regular session of the Nevada legislature.

Sec. 6. If a local government establishes a fund for the extraordinary maintenance, repair or improvement of local governmental facilities pursuant to section 3 of this act, the legislative auditor shall review the first five annual audit reports for that fund to determine whether the local government has complied with the provisions of section 3 of this act. The legislative auditor shall prepare a written report of the review of the audits of that fund and submit a copy of the report to the legislative commission for transmittal to the next regular session of the Nevada legislature.

SUMMARY--Revises provisions relating to impact fees. (BDR 22-403)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to impact fees; expanding the definition of "capital improvements" for the purposes of imposing an impact fee; revising the period for filing certain reports concerning the capital improvement plans of local governments; eliminating the exemption for a school district from the payment of impact fees; 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 278B of NRS is hereby amended by adding thereto the provisions set forth as sections 2 and 3 of this act.

Sec. 2. 1. *"Fire protection project" means:*

(a) A facility provided by a governmental agency which is used to provide emergency medical services or protection from fire; and

(b) The real property on which the facility is located.

2. *The term does not include:*

(a) The central administrative office of the fire department of the local government where the fire protection project is located;

(b) A hospital; or

(c) Any equipment, supplies or incidentals which are necessary to provide emergency medical services or protection from fire.

Sec. 3. 1. "Police project" means:

(a) A facility used to provide work areas for peace officers and persons who provide support for those officers; and

(b) The real property on which the facility is located.

2. The term does not include:

(a) The central administrative office of the police department of the local government where the police project is located;

(b) Any equipment, supplies or incidentals which are necessary to operate the facility; or

(c) A facility used to store any equipment, supplies or incidentals which are necessary to operate the facility.

Sec. 4. NRS 278B.010 is hereby amended to read as follows:

278B.010 As used in this chapter, unless the context otherwise requires, the words and terms defined in NRS 278B.020 to 278B.140, inclusive, *and sections 2 and 3 of this act*, have the meanings ascribed to them in those sections.

Sec. 5. NRS 278B.020 is hereby amended to read as follows:

278B.020 "Capital improvement" means a:

1. Drainage project;
2. Fire protection project;
3. Police project;
4. Sanitary sewer project;

[3.] 5. Storm sewer project;

[4.] 6. Street project; or

[5.] 7. Water project.

Sec. 6. NRS 278B.150 is hereby amended to read as follows:

278B.150 1. Before imposing an impact fee, the governing body of the local government must establish by resolution a capital improvements advisory committee. The committee must be composed of at least five members.

2. The governing body may designate the planning commission to serve as the capital improvements advisory committee if:

(a) The planning commission includes at least one representative of the real estate, development or building industry who is not an officer or employee of the local government; or

(b) The governing body appoints a representative of the real estate, development or building industry who is not an officer or employee of the local government to serve as a voting member of the planning commission when the planning commission is meeting as the capital improvements advisory committee.

3. The capital improvements advisory committee shall:

(a) Review the land use assumptions and determine whether they are in conformance with the master plan of the local government;

(b) Review the capital improvements plan and file written comments;

(c) [File annual] *Every 3 years file* reports concerning the progress of the local government in carrying out the capital improvements plan;

(d) Report to the governing body any perceived inequities in the implementation of the capital improvements plan or the imposition of an impact fee; and

(e) Advise the local government of the need to update or revise the land use assumptions, capital improvements plan and ordinance imposing an impact fee.

Sec. 7. NRS 278B.160 is hereby amended to read as follows:

278B.160 [1.] A local government may by ordinance impose an impact fee in a service area to pay the cost of constructing a capital improvement or facility expansion necessitated by and attributable to new development. Except as otherwise provided in NRS 278B.220, the cost may include only:

- [(a)] 1. The estimated cost of actual construction;
- [(b)] 2. Estimated fees for professional services;
- [(c)] 3. The estimated cost to acquire the land; and
- [(d)] 4. The fees paid for professional services required for the preparation or revision of a capital improvements plan in anticipation of the imposition of an impact fee.

[2. All property owned by a school district is exempt from the requirement of paying impact fees imposed pursuant to this chapter. Any impact fee which would have been collected from a school district but for the provisions of this subsection must be paid by the local government which imposed the impact fee.]

Sec. 8. NRS 278B.180 is hereby amended to read as follows:

278B.180 1. A local government which wishes to impose an impact fee must set a time at least 20 days thereafter and place for a public hearing to

consider the land use assumptions within the designated service area which will be used to develop the capital improvements plan.

2. The notice must be given:

(a) By publication of a copy of the notice at least once a week for [4] 2 weeks in a newspaper of general circulation in the jurisdiction of the local government.

(b) By posting a copy of the notice at the principal office of the local government and at least three other separate, prominent places within the jurisdiction of the local government.

3. Proof of publication must be by affidavit of the publisher.

4. Proof of posting must be by affidavit of the clerk or any deputy posting the notice.

5. The notice must contain:

(a) The time, date and location of the hearing;

(b) A statement that the purpose of the hearing is to consider the land use assumptions which will be used to develop a capital improvements plan for which an impact fee may be imposed;

(c) A map of the service area to which the land assumptions apply; and

(d) A statement that any person may appear at the hearing and present evidence for or against the land use assumptions.

Sec. 9. NRS 278B.190 is hereby amended to read as follows:

278B.190 1. The governing body of the local government shall approve or disapprove the land use assumptions within 30 days after the public hearing.

2. If the governing body approves the land use assumptions, it shall develop or cause to be developed a capital improvements plan.

3. Upon the completion of the capital improvements plan, the governing body shall set a time at least 20 days thereafter and place for a public hearing to consider the adoption of the plan and the imposition of an impact fee.

4. The notice must be given:

(a) By publication of a copy of the notice at least once a week for [4] 2 weeks in a newspaper of general circulation in the jurisdiction of the local government.

(b) By posting a copy of the notice at the principal office of the local government and at least three other separate, prominent places within the jurisdiction of the local government.

5. Proof of publication must be by affidavit of the publisher.

6. Proof of posting must be by affidavit of the clerk or any deputy posting the notice.

7. The notice must contain:

(a) The time, date and location of the hearing;

(b) A statement that the purpose of the hearing is to consider the adoption of an impact fee;

(c) A map of the service area on which the the proposed impact fee will be imposed;

(d) The amount of the proposed impact fee for each service unit; and

(e) A statement that any person may appear at the hearing and present evidence for or against the land use assumptions.

Sec. 10. NRS 278B.290 is hereby amended to read as follows:

278B.290. 1. Each local government ~~which~~ imposes an impact fee shall review and may revise the land use assumptions and capital improvements plan at least once every 3 years. The 3-year period begins upon the adoption of the capital improvements plan by the local government.

2. Upon the completion of the revised capital improvements plan, the local government shall set a time at least 20 days thereafter and place for a public hearing to discuss and review the revision of the plan and whether the revised plan should be adopted.

3. The notice must be given:

(a) By publication of a copy of the notice at least once a week for [4] 2 weeks in a newspaper of general circulation in the jurisdiction of the local government.

(b) By posting a copy of the notice at the principal office of the local government and at least three other separate, prominent places within the jurisdiction of the local government.

4. Proof of publication must be by affidavit of the publisher.

5. Proof of posting must be by affidavit of the clerk or any deputy posting the notice.

6. The notice must contain:

(a) The time, date and location of the hearing;

(b) A statement that the purpose of the hearing is to consider the revision of the land use assumptions, capital improvements plan and the imposition of an impact fee;

-- 8 --

(c) A map of the service area for which the revision is being prepared; and

(d) A statement that any person may appear at the hearing and present evidence for or against the revision.

SUMMARY--Authorizes medium-term financing for municipalities in lieu of short-term financing. (BDR 30-404)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to municipal obligations; authorizing a municipality to issue medium-term obligations in lieu of short-term financing; 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 350 of NRS is hereby amended by adding thereto the provisions set forth as sections 2 to 6, inclusive, of this act.

Sec. 2. *1. If the public interest requires a medium-term obligation, the governing body of any municipality, by a resolution adopted by two-thirds of its members, may authorize a medium-term obligation. The resolution must contain:*

(a) A finding by the governing body that the public interest requires the medium-term obligation; and

(b) A statement of the facts upon which the finding is based.

2. Except as otherwise provided in subsection 3, before the adoption of any such resolution, the governing body shall publish notice of its intention to act

thereon in a newspaper of general circulation for at least one publication. No vote may be taken upon the resolution until 10 days after the publication of the notice. The cost of publication of the notice required of an entity is a proper charge against its general fund.

3. In school districts having less than 100 pupils in average daily attendance, the publication of the resolution may be made by posting conspicuously, in three different places in the school district, a notice containing in full the resolution for the medium-term obligation with the date upon which the board of trustees of the school district will meet to act upon the resolution. Posting of the notice must be made not less than 10 days before the date fixed in the resolution for action thereon.

4. If the medium-term obligation is for a capital expenditure for public safety, the governing body may in its resolution request the approval of the Nevada tax commission to repay it from the proceeds of a special tax that is exempt from the limitation on allowed revenue from taxes ad valorem imposed by NRS 354.59811.

Sec. 3. Except as otherwise provided in NRS 496.155:

1. Upon the adoption of a resolution for a medium-term obligation, as provided in section 2 of this act, by a municipality, a certified copy thereof must be forwarded to the executive director of the department of taxation. As soon as is practicable, the executive director of the department of taxation shall, after consideration of the tax structure of the municipality concerned and the probable ability of the municipality to repay the requested medium-term obligation, unless the resolution is governed by subsection 3, approve or

disapprove the resolution in writing to the governing board. No such resolution is effective until approved by the executive director of the department of taxation. The written approval of the executive director of the department of taxation must be recorded in the minutes of the governing board.

2. If the executive director of the department of taxation does not approve the resolution for the medium-term obligation, the governing board of the municipality may appeal the executive director's decision to the Nevada tax commission.

3. A medium-term obligation for a capital expenditure for public safety may be repaid from the proceeds of a special tax exempt from the limitation on taxes ad valorem, but only if the Nevada tax commission approves this method of repayment in the particular case. The executive director shall recommend approval or disapproval to the commission.

Sec. 4. *1. Whenever the governing body of any municipality is authorized to enter into a medium-term obligation as provided in section 3 of this act, the governing body may issue, as evidence thereof, negotiable notes or short-time negotiable bonds.*

2. Except as otherwise provided in subsection 5 of NRS 496.155, the negotiable notes or bonds:

(a) Must mature not later than 10 years after the date of issuance.

(b) Must bear interest at a rate or rates which do not exceed by more than 3 percent the Index of Twenty Bonds which was most recently published before the bids are received or a negotiated offer is accepted.

(c) May, at the option of the municipality, contain a provision which allows redemption of the notes or bonds before maturity, upon such terms as the governing body determines.

3. If the maximum term of the financing is more than 5 years, the term may not exceed the estimated useful life of the asset to be purchased with the proceeds from the financing.

Sec. 5. 1. After a medium-term obligation has been authorized as provided in section 3 of this act and if, in the judgment of the governing board of the municipality, the fiscal affairs of the municipality can be carried on without impairment and there is sufficient money in the general fund or a surplus in any other fund, with the exception of the bond interest and redemption fund, of the municipality, the governing board may transfer from the general fund or from the surplus appearing in any fund, with the exception of the bond interest and redemption fund, money sufficient to meet the purpose of the medium-term obligation.

2. When such a transfer is made, the governing board of the municipality shall comply with the provisions of section 6 of this act, and when the special tax is thereafter collected, the amount so collected must be placed immediately in the fund from which the loan was made.

3. In cases where the fund from which the loan was made, at the time of the transfer of funds therefrom, contains a surplus that in the judgment of the executive director of the department of taxation is or will not be needed for the purposes of the fund in the ordinary course of events, the special tax need not be levied, collected and placed in the fund from which the loan was made, but

the transfer shall be deemed refunded for all purposes of sections 3 to 6, inclusive, of this act.

Sec. 6. 1. At the first tax levy following the creation of any medium-term indebtedness, the governing board of any municipality shall, if necessary, levy a tax sufficient to pay the medium-term indebtedness. The tax must be designated "County of Special Tax," "City of Special Tax," "Town of Special Tax," "..... School District Special Tax," "..... Agricultural Association Special Tax," or "..... District Special Tax," as the case may be, the proceeds of which must be placed in a medium-term debt service fund in the treasury of the county or city, or in a medium-term debt service fund in the county treasury in the cases of towns, school districts, irrigation districts, special districts or agricultural associations, to be used solely to redeem the medium-term indebtedness for which the tax is levied.

2. The treasurer of any county is authorized, upon receipt of a written resolution of the governing board of any municipality for which a special tax fund is maintained, to transfer the money remaining in the medium-term debt service fund of that municipality to the general fund of that municipality after payment in full of the indebtedness and the interest thereon.

3. When a medium-term obligation is made for the support of any lawfully organized county farm bureau, the county tax levied therefor shall be deemed the special tax within the provisions of this section. The proceeds thereof may be transferred to the state treasury when prescribed in any law providing for the transfer of county farm bureau funds to the state treasury, and the state controller is authorized to draw his warrant against the proceeds for the

principal and interest of the medium-term obligation in favor of the holder of the note issued therefor, and the state treasurer shall pay the warrant.

Sec. 7. NRS 350.001 is hereby amended to read as follows:

350.001 As used in NRS 350.002 to 350.006, inclusive, unless the context otherwise requires:

1. "Commission" means the general obligation bond commission created pursuant to NRS 350.002.

2. "General obligation debt" means debt which is legally payable from general revenues, as a primary or secondary source of repayment, and is backed by the full faith and credit of a governmental entity. The term includes debt represented by local government securities issued pursuant to this chapter and debt created for [short-term financing pursuant to NRS 354.430 to 354.460, inclusive.] *a medium-term obligation pursuant to sections 3 to 6, inclusive, of this act.*

3. "Special elective tax" means a tax imposed pursuant to NRS 354.5982, 387.197, 387.3285 or 387.3287.

Sec. 8. NRS 350.005 is hereby amended to read as follows:

350.005 1. The governing body of the municipality proposing to issue general *or medium-term* obligations [, enter into short-term financing] or levy a special elective tax and the board of trustees of a general improvement district whose population within its boundaries is less than 5,000, who proposes to borrow money and issue other securities pursuant to NRS 318.275 or to levy a special elective tax, shall notify the secretary of each appropriate commission, and shall submit a statement of its proposal in sufficient number of copies for

each member of the commission. The secretary, with the approval of the chairman, shall thereupon, within 10 days, give notice of a meeting to be held not less than 10 nor more than 20 days thereafter. [He] *The secretary* shall provide a copy of the proposal to each member with the notice of the meeting.

2. The commission may grant a conditional or provisional approval of such a proposal. [Such] *The conditions or provisions of the proposal* are limited to the scheduling of:

(a) The issuance and retirement of securities, if the proposal is to issue general *or medium-term* obligations ; [or enter into short-term financing;] or

(b) The imposition of the tax, if the proposal is to levy a special elective tax.

3. The commission may adjourn a meeting called to consider a particular proposal no more than once, for no more than 10 days. Notification of the approval or disapproval of its proposal must be sent to the governing body within 3 days after the meeting.

4. A proposal which has been disapproved may not be resubmitted until 90 days after the date of the meeting.

Sec. 9. NRS 350.020 is hereby amended to read as follows:

350.020 1. Except as otherwise permitted by subsection 3, when any municipality proposes to issue or incur general obligations, the proposal must be submitted to the electors of the municipality at a special election called for that purpose or the next primary or general municipal election or primary or general state election.

2. A special election may be held only if the governing body of the municipality determines, by a unanimous vote, that an emergency exists. The

determination made by the governing body is conclusive unless it is shown that the governing body acted with fraud or a gross abuse of discretion. An action to challenge the determination made by the governing body must be commenced within 15 days after the governing body's determination is final. As used in this subsection, "emergency" means any unexpected occurrence or combination of occurrences which requires immediate action by the governing body of the municipality to prevent or mitigate a substantial financial loss to the municipality or to enable the governing body to provide an essential service to the residents of the municipality.

3. If payment of a general obligation of the municipality is additionally secured by a pledge of gross or net revenue of a project to be financed by its issue, and the governing body determines that the pledged revenue will at least equal the amount required in each year for the payment of interest and principal, without regard to any option reserved by the municipality for early redemption, the municipality may incur this general obligation without an election unless, within 30 days after publication of a resolution of intent to issue the bonds, a petition is presented to the governing body signed by not less than 5 percent of the registered voters of the municipality who together with any corporate petitioners own not less than 2 percent in assessed value of the taxable property of the municipality. The determination by the governing body becomes conclusive on the last day for filing the petition. For the purpose of this subsection, the number of registered voters must be determined as of the close of registration for the last preceding general election and assessed values must be determined from the next preceding final assessment

roll. An authorized corporate officer may sign such a petition whether or not he is a registered voter. The resolution of intent need not be published in full, but the publication must include the amount of the obligation and the purpose for which it is to be incurred. Publication must be made once in a newspaper of general circulation in the municipality.

4. A municipality may issue special *or medium-term* obligations without an election.

Sec. 10. NRS 350.575 is hereby amended to read as follows:

350.575 1. Upon the adoption of a resolution to finance the preservation or restoration of a historic structure, in the manner provided in [NRS 354.618,] *section 2 of this act*, by a municipality, a certified copy thereof must be forwarded to the executive director of the department of taxation, accompanied by a letter from the office of historic preservation of the department of museums, library and arts certifying that the preservation or restoration conforms to accepted standards for such work. As soon as is practicable, the executive director of the department of taxation shall, after consideration of the tax structure of the municipality concerned and the probable ability of the municipality to repay the requested financing, [either] approve or disapprove the resolution in writing to the governing board. No such resolution is effective until approved by the executive director of the department of taxation. The written approval of the executive director of the department of taxation must be recorded in the minutes of the governing board.

2. If the executive director of the department of taxation does not approve the financing resolution, the governing board of the municipality may appeal the executive director's decision to the Nevada tax commission.

3. [For the purposes of] *As used in* this section, "historic structure" means a building, facility or other structure which is eligible for listing in the state register of historic places under NRS 383.085.

Sec. 11. NRS 244.3358 is hereby amended to read as follows:

244.3358 1. A county whose population is less than 100,000 may by ordinance assign to a district created pursuant to chapter 318 of NRS which has been granted the basic power of furnishing recreational facilities all or any portion of the proceeds of any tax on the revenues from the rental of transient lodging which is imposed by the county and collected within the boundaries of the district, except the tax imposed pursuant to NRS 244.3352 or a tax imposed pursuant to NRS 244.3351.

2. The district may use the proceeds assigned pursuant to subsection 1 for any purpose authorized pursuant to NRS 318.143.

3. The district may, with the consent of the board of county commissioners, irrevocably pledge the proceeds assigned pursuant to subsection 1 for:

(a) The repayment of any bonds or short-term *or medium-term* obligations issued pursuant to chapter 318 [, 350 or 354] *or 350* of NRS for any lawful purpose pertaining to the furnishing of recreational facilities; or

(b) The refinancing of any such bonds or obligations.

The consent of the board of county commissioners must be given by resolution.

If any proceeds are pledged pursuant to this subsection, the assignment of the

proceeds may not be revoked until the bonds or short-term *or medium-term* obligations for which the proceeds were pledged have been completely repaid.

4. No assignment may be made pursuant to this section which is inconsistent with an assignment made or contract entered into for the purposes of NRS 244A.597 to 244A.655, inclusive.

5. A county which makes an assignment pursuant to this section may retain an amount equal to the reasonable cost of collecting the tax, which must not exceed 2 percent of the proceeds of the tax for any period of collection.

Sec. 12. NRS 244.3661 is hereby amended to read as follows:

244.3661 1. Except as otherwise provided in NRS 704.664, a board of county commissioners may, by ordinance, impose an excise tax on the use of water in an amount sufficient to ensure the payment, wholly or in part, of obligations incurred by the county to acquire and construct a new facility for the treatment of water for public or private use, or both. The tax must be imposed on customers of suppliers of water that are capable of using the water treatment services provided by the facility to be financed with the proceeds of the tax.

2. An excise tax imposed pursuant to subsection 1 may be levied at different rates for different classes of customers or to take into account differences in the amount of water used or estimated to be used or the size of the connection.

3. The ordinance imposing the tax must provide the:

- (a) Rate or rates of the tax;
- (b) Procedure for collection of the tax;

(c) Duration of the tax; and

(d) Rate of interest that will be charged on late payments.

4. Late payments of the tax must bear interest at a rate not exceeding 2 percent per month, or fraction thereof. The tax due is a perpetual lien against the property served by the water on whose use the tax is imposed until the tax and any interest which may accrue thereon are paid. The county shall enforce the lien in the same manner as provided in NRS 361.565 to 361.730, inclusive, for property taxes.

5. A county may:

(a) Acquire and construct a new facility for the treatment of water for public or private use, or both.

(b) Finance the project by the issuance of general obligation *bonds*, *medium-term obligations* or revenue bonds or other securities issued pursuant to chapter 350 of NRS, or by installment purchase financing pursuant to NRS 350.800.

(c) Enter into an agreement with a public utility which provides that:

(1) Water treatment services provided by the facility will be made available to the public utility; or

(2) The public utility will operate and maintain the facility,
or both. An agreement entered into pursuant to this paragraph may extend beyond the terms of office of the members of the board of county commissioners who voted upon it.

6. A county may pledge any money received from the proceeds of a tax imposed pursuant to this section for the payment of general or special

obligations issued for a new facility for the treatment of water for public or private use, or both. Any money pledged by the county pursuant to this subsection may be treated as pledged revenues of the project for the purposes of subsection 3 of NRS 350.020.

7. As used in this section, "public utility" has the meaning ascribed to it in NRS 704.020 and does not include the persons excluded by NRS 704.030.

Sec. 13. NRS 244A.617 is hereby amended to read as follows:

244A.617 The board of county commissioners of any county proceeding under the provisions of NRS 244A.597 to 244A.655, inclusive, is authorized to advance such [funds] *money* to the board as may be necessary to pay the preliminary organization, administration and engineering costs thereof, including bond elections as provided in NRS 244A.597 to 244A.655, inclusive, on such terms of repayment as may be agreed upon, and the county is authorized to secure *the* necessary [funds] *money* in the manner provided by law authorizing [short-term loans.] *medium-term obligations*.

Sec. 14. NRS 271.538 is hereby amended to read as follows:

271.538 If there is not sufficient money in the general fund of the municipality and if the requirements of chapter [354] 350 of NRS, with respect to [short-term financing,] *medium-term obligations*, are met, money may be provided by [short-term financing] *a medium-term obligation* to cover the cost of an improvement made pursuant to NRS 271.536. In such case, the loan must be repaid from the special assessments made, in lieu of the special tax required by chapter [354] 350 of NRS.

Sec. 15. NRS 318.118 is hereby amended to read as follows:

318.118 1. In the case of a district created wholly or in part for exterminating and abating mosquitoes, flies, other insects, rats, and liver fluke or fasciola hepatica, the board may:

(a) Take all necessary or proper steps for the extermination of mosquitoes, flies, other insects, rats, or liver fluke or fasciola hepatica in the district or in territory not in the district but so situated with respect to the district that mosquitoes, flies, other insects, rats, or liver fluke or fasciola hepatica from that territory migrate or are caused to be carried into the district;

(b) Subject to the paramount control of any county or city in which the district has jurisdiction, abate as nuisances all stagnant pools of water and other breeding places for mosquitoes, flies, other insects, rats, or liver fluke or fasciola hepatica in the district or in territory not in the district but so situated with respect to the district that mosquitoes, flies, other insects, rats, or liver fluke or fasciola hepatica from that territory migrate or are caused to be carried into the district;

(c) If necessary or proper, in the furtherance of the objects of this chapter, build, construct, repair and maintain necessary dikes, levees, cuts, canals or ditches upon any land, and acquire by purchase, condemnation or by other lawful means, in the name of the district, any lands, rights of way, easements, property or material necessary for any of those purposes;

(d) Make contracts to indemnify or compensate any owner of land or other property for any injury or damage necessarily caused by the use or taking of property for dikes, levees, cuts, canals or ditches;

(e) Enter upon without hindrance any lands, within or without the district, for the purpose of inspection to ascertain whether breeding places of mosquitoes, flies, other insects, rats, or liver fluke or fasciola hepatica exist upon those lands;

(f) Abate public nuisances in accordance with this chapter;

(g) Ascertain if there has been a compliance with notices to abate the breeding of mosquitoes, flies, other insects, rats, or liver fluke or fasciola hepatica upon those lands;

(h) Treat with oil, other larvicidal material, or other chemicals or other material any breeding places of mosquitoes, flies, other insects, rats, or liver fluke or fasciola hepatica upon those lands;

(i) Sell or lease any land, rights of way, easements, property or material acquired by the district; and

(j) Sell real property pursuant to this subsection to the highest bidder at public auction after 5 days' notice given by publication.

2. In connection with the basic power stated in this section, the district may:

(a) Levy annually a general [() ad valorem D] property tax of not exceeding:

(1) Fifteen cents on each \$100 of assessed valuation of taxable property;

or

(2) Twenty cents on each \$100 of assessed valuation of taxable property if the board of county commissioners of each county in which the district is located approves such a tax in excess of 15 cents on each \$100 of assessed valuation of taxable property.

(b) Levy a tax in addition to a tax authorized in paragraph (a), if the additional tax is authorized by the qualified electors of the district, as provided in subsections 4 to 7, inclusive.

3. The proceeds of any tax levied pursuant to the provisions of this section must be used for purposes pertaining to the basic purpose stated in this section, including , *without limitation*, the establishment and maintenance of:

(a) A cash-basis fund of not exceeding in any fiscal year 60 percent of the estimated expenditures for the fiscal year to defray expenses between the beginning of the fiscal year and the respective times tax proceeds are received in the fiscal year; and

(b) An emergency fund of not exceeding in any fiscal year 25 percent of the estimated expenditures for the fiscal year to defray unusual and unanticipated expenses incurred during epidemics or threatened epidemics from diseases from sources which the district may exterminate or abate.

4. Whenever it appears to the board of a district authorized to exercise the basic power stated in subsection 1 that the amount of money required during an ensuing fiscal year will exceed the amount that can be raised by a levy permitted by paragraph (a) of subsection 2, the board may:

(a) At a special election or the next primary or general election submit to the qualified electors of the district a question of whether a tax shall be voted for raising the additional money;

(b) Provide the form of the ballot for the election, which must contain the words "Shall the district vote a tax to raise the additional sum of?" or words equivalent thereto;

(c) Provide the form of the notice of the election and provide for the notice to be given by publication; and

(d) Arrange other details in connection with the election.

5. A special election may be held only if the board determines, by a unanimous vote, that an emergency exists. The determination made by the board is conclusive unless it is shown that the board acted with fraud or a gross abuse of discretion. An action to challenge the determination made by the board must be commenced within 15 days after the board's determination is final. As used in this subsection, "emergency" means any unexpected occurrence or combination of occurrences which requires immediate action by the board to prevent or mitigate a substantial financial loss to the district or to enable the board to provide an essential service to the residents of the district.

6. Except as otherwise provided in this chapter:

(a) The secretary of the district shall give notice of the election by publication and shall arrange such other details in connection with the election as the board may direct;

(b) The election board officers shall conduct the election in the manner prescribed by law for the holding of general elections and shall make their returns to the secretary of the district; and

(c) The board shall canvass the returns of the election at any regular or special meeting held within 5 days following the date of the election, or at such later time as the returns are available for canvass, and shall declare the results of the election.

7. If a majority of the qualified electors of the district who voted on any proposition authorizing the additional tax voted in favor of the proposition, and the board so declares the result of the election:

(a) The district board shall report the result to the board of county commissioners of the county in which the district is situated, stating the additional amount of money required to be raised. If the district is in more than one county the additional amount must be prorated for each county by the district board in the same way that the district's original total estimate of money is prorated, and the district board shall furnish the board of county commissioners and auditor of each county a written statement of the apportionment for that county; and

(b) The board of county commissioners of each county receiving the written statement shall, at the time of levying county taxes, levy an additional tax upon all the taxable property of the district in the county sufficient to raise the amount apportioned to that county for the district.

8. The district shall not:

(a) Borrow money except for [short-term financing] *medium-term obligations* pursuant to chapter [354] 350 of NRS;

(b) Levy special assessments; or

(c) Fix any rates, fees or other charges except as otherwise provided in this section.

9. The district may determine to cause an owner of any real property to abate any nuisance pertaining to the basic power stated in this section, after a hearing on a proposal for such an abatement and notice thereof by mail

addressed to the last known owner or owners of record at his or their last known address or addresses, as ascertained from any source the board deems reliable, or in the absence of the abatement within a reasonable period fixed by the board, to cause the district to abate the nuisance, as follows:

(a) At the hearing the district board shall redetermine whether the owner must abate the nuisance and prevent its recurrence, and shall specify a time within which the work must be completed;

(b) If the nuisance is not abated within the time specified in the notice or at the hearing, the district board shall abate the nuisance by destroying the larvae or pupae, or otherwise, by taking appropriate measures to prevent the recurrence of further breeding;

(c) The cost of abatement must be repaid to the district by the owner;

(d) The money expended by the district in abating a nuisance or preventing its recurrence is a lien upon the property on which the nuisance is abated or its recurrence prevented;

(e) Notice of the lien must be filed and recorded by the district board in the office of the county recorder of the county in which the property is situated within 6 months after the first item of expenditure by the board;

(f) An action to foreclose the lien must be commenced within 6 months after the filing and recording of the notice of lien;

(g) The action must be brought by the district board in the name of the district;

(h) When the property is sold, enough of the proceeds to satisfy the lien and the costs of foreclosure must be paid to the district and the surplus, if any,

must be paid to the owner of the property if known, and if not known, must be paid into the court in which the lien was foreclosed for the use of the owner if ascertained; and

(i) The lien provisions of this section do not apply to the property of any county, city, district or other public corporation, except that the governing body of the county, city, district or other public corporation shall repay to any district exercising the basic power stated in subsection 1 the amount expended by the district upon any of its property pursuant to this chapter upon presentation by the district board of a verified claim or bill.

Sec. 16. NRS 354.535 is hereby amended to read as follows:

354.535 "General long-term debt" means debt which is legally payable from general revenues and is backed by the full faith and credit of a governmental unit. The term includes debt represented by local government securities issued pursuant to chapter 350 of NRS and debt created for [short-term financing pursuant to NRS 354.430 to 354.460, inclusive.] *medium-term obligations pursuant to sections 3 to 6, inclusive, of this act.*

Sec. 17. NRS 354.59811 is hereby amended to read as follows:

354.59811 Except as otherwise provided in NRS 354.59813, 354.59815, 354.5982, 354.5987, 354.59871, [354.618,] 450.425 and 543.600 *and section 2 of this act* for each fiscal year beginning on or after July 1, 1989, the maximum amount of money that a local government, except a school district, a district to provide a telephone number for emergencies, or a redevelopment agency, may receive from taxes ad valorem, other than those attributable to the net proceeds of minerals or those levied for the payment of bonded indebtedness

and interest thereon incurred as a general or [short-term] *medium-term* obligation of the issuer, or for the payment of obligations issued to pay the cost of a water project pursuant to NRS 349.950, or for the payment of obligations under a capital lease executed before April 30, 1981, must be calculated as follows:

1. The rate must be set so that when applied to the current fiscal year's assessed valuation of all property which was on the preceding fiscal year's assessment roll, together with the assessed valuation of property on the central assessment roll which was allocated to the local government, but excluding any assessed valuation attributable to the net proceeds of minerals, assessed valuation attributable to a redevelopment area or tax increment area and assessed valuation of a fire protection district attributable to real property which is transferred from private ownership to public ownership for the purpose of conservation, it will produce 106 percent of the maximum revenue allowable from taxes ad valorem for the preceding fiscal year, except that the rate so determined must not be less than the rate allowed for the previous fiscal year, except for any decrease attributable to the imposition of a tax pursuant to NRS 354.59813 in the previous year.

2. This rate must then be applied to the total assessed valuation, excluding the assessed valuation attributable to the net proceeds of minerals and the assessed valuation of a fire protection district attributable to real property which is transferred from private ownership to public ownership for the purpose of conservation but including new real property, possessory interests

and mobile homes, for the current fiscal year to determine the allowed revenue from taxes ad valorem for the local government.

Sec. 18. NRS 354.598155 is hereby amended to read as follows:

354.598155 1. Each local government that receives a portion of the revenue from the tax levied pursuant to the provisions of NRS 354.59815 shall establish a special ad valorem capital projects fund and shall deposit all revenue received pursuant to the provisions of NRS 354.59815 in that fund. All interest and income earned on the money in the fund must also be deposited in the fund.

2. The money in the fund may only be used for:

(a) The purchase of capital assets including land, improvements to land and major items of equipment;

(b) The renovation of existing governmental facilities not including normal recurring maintenance; and

(c) The repayment of [short-term financing] *a medium-term obligation* issued to fund a project described in paragraph (a) or (b).

3. Money may be retained in the fund for not more than 10 years to allow the funding of projects without the issuance of bonds or other obligations. For the purpose of determining the length of time a deposit of money has been retained in the fund, all money withdrawn from the fund shall be deemed to be taken on a first-in, first-out basis.

4. The annual budget and audit report of each local government must specifically identify this fund and must indicate in detail the projects that have

been funded with money from the fund. Any planned accumulation of the money in the fund must also be specifically identified.

Sec. 19. NRS 355.130 is hereby amended to read as follows:

355.130 1. By unanimous vote of its members and with the approval of the state board of examiners, the state board of finance may lend any available money in the state treasury, other than that in the state permanent school fund and the state insurance fund, to local governments situated within the boundaries of the State of Nevada. Such loans must be made only to local governments which have observed the regulations and followed the procedure for obtaining [short-term financing] *a medium-term obligation* set forth in chapter [354] 350 of NRS. Such loans must be made for a period of not longer than 10 years and must bear interest at a rate which does not exceed by more than 3 percent the Index of Twenty Bonds which was most recently published before the bids are received or a negotiated offer is accepted.

2. In making loans to local governments, the state board of finance shall follow the procedure for making other loans set forth in this chapter.

Sec. 20. NRS 355.140 is hereby amended to read as follows:

355.140 1. In addition to other investments provided for by a specific statute, the following bonds and other securities are proper and lawful investments of any of the money of this state, of its various departments, institutions and agencies, and of the state insurance fund:

(a) Bonds and certificates of the United States;

(b) Bonds, notes, debentures and loans if they are underwritten by or their payment is guaranteed by the United States;

(c) Obligations or certificates of the United States Postal Service, the Federal National Mortgage Association, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation or the Student Loan Marketing Association, whether or not guaranteed by the United States;

(d) Bonds of this state or other states of the Union;

(e) Bonds of any county of this state or of other states;

(f) Bonds of incorporated cities in this state or in other states of the Union, including special assessment district bonds if those bonds provide that any deficiencies in the proceeds to pay the bonds are to be paid from the general fund of the incorporated city;

(g) General obligation bonds of irrigation districts and drainage districts in this state which are liens upon the property within those districts, if the value of the property is found by the board or commission making the investments to render the bonds financially sound over and above all other obligations of the districts;

(h) Bonds of school districts within this state;

(i) Bonds of any general improvement district whose population is 200,000 or more and which is situated in two or more counties of this state or of any other state, if:

(1) The bonds are general obligation bonds and constitute a lien upon the property within the district which is subject to taxation; and

(2) That property is of an assessed valuation of not less than five times the amount of the bonded indebtedness of the district;

(j) [Short-term financing] *Medium-term obligations* for counties, cities and school districts authorized pursuant to chapter [354] 350 of NRS;

(k) Loans bearing interest at a rate determined by the state board of finance when secured by first mortgages on agricultural lands in this state of not less than three times the value of the amount loaned, exclusive of perishable improvements, and of unexceptional title and free from all encumbrances;

(l) Farm loan bonds, consolidated farm loan bonds, debentures, consolidated debentures and other obligations issued by federal land banks and federal intermediate credit banks under the authority of the Federal Farm Loan Act, formerly 12 U.S.C. §§ 636 to 1012, inclusive, and §§ 1021 to 1129, inclusive, and the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, and bonds, debentures, consolidated debentures and other obligations issued by banks for cooperatives under the authority of the Farm Credit Act of 1933, formerly 12 U.S.C. §§ 1131 to 1138e, inclusive, and the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, excluding such money thereof as has been received or which may be received hereafter from the Federal Government or received pursuant to some federal law which governs the investment thereof;

(m) Negotiable certificates of deposit issued by commercial banks or insured savings and loan associations;

(n) Bankers' acceptances of the kind and maturities made eligible by law for rediscount with Federal Reserve banks or trust companies which are members of the Federal Reserve System, except that acceptances may not exceed 180

days' maturity, and may not, in aggregate value, exceed 20 percent of the total portfolio as determined on the date of purchase;

(o) Commercial paper issued by a corporation organized and operating in the United States or by a depository institution licensed by the United States or any state and operating in the United States that:

(1) Is purchased from a registered broker-dealer;

(2) At the time of purchase has a remaining term to maturity of no more than 270 days; and

(3) Is rated by a nationally recognized rating service as "A-1," "P-1" or its equivalent, or better,

except that investments pursuant to this paragraph may not, in aggregate value, exceed 20 percent of the total portfolio as determined on the date of purchase, and if the rating of an obligation is reduced to a level that does not meet the requirements of this paragraph, it must be sold as soon as possible;

(p) Notes, bonds and other unconditional obligations for the payment of money, except certificates of deposit that do not qualify pursuant to paragraph (m), issued by corporations organized and operating in the United States or by depository institutions licensed by the United States or any state and operating in the United States that:

(1) Are purchased from a registered broker-dealer;

(2) At the time of purchase have a remaining term to maturity of no more than 3 years; and

(3) Are rated by a nationally recognized rating service as "A" or its equivalent, or better,

except that investments pursuant to this paragraph may not, in aggregate value, exceed 20 percent of the total portfolio, and if the rating of an obligation is reduced to a level that does not meet the requirements of this paragraph, it must be sold as soon as possible;

(q) Money market mutual funds which:

(1) Are registered with the Securities and Exchange Commission;

(2) Are rated by a nationally recognized rating service as "AAA" or its equivalent; and

(3) Invest only in securities issued by the Federal Government or agencies of the Federal Government or in repurchase agreements fully collateralized by such securities; and

(r) Collateralized mortgage obligations that are rated by a nationally recognized rating service as "AAA" or its equivalent.

2. Repurchase agreements are proper and lawful investments of money of the state and the state insurance fund for the purchase or sale of securities which are negotiable and of the types listed in subsection 1 if made in accordance with the following conditions:

(a) The state treasurer shall designate in advance and thereafter maintain a list of qualified counterparties which:

(1) Regularly provide audited and, if available, unaudited financial statements to the state treasurer;

(2) The state treasurer has determined to have adequate capitalization and earnings and appropriate assets to be highly credit worthy; and

(3) Have executed a written master repurchase agreement in a form satisfactory to the state treasurer and the state board of finance pursuant to which all repurchase agreements are entered into. The master repurchase agreement must require the prompt delivery to the state treasurer and the appointed custodian of written confirmations of all transactions conducted thereunder, and must be developed giving consideration to the Federal Bankruptcy Act.

(b) In all repurchase agreements:

(1) At or before the time money to pay the purchase price is transferred, title to the purchased securities must be recorded in the name of the appointed custodian, or the purchased securities must be delivered with all appropriate, executed transfer instruments by physical delivery to the custodian;

(2) The state must enter a written contract with the custodian appointed pursuant to subparagraph (1) which requires the custodian to:

(I) Disburse cash for repurchase agreements only upon receipt of the underlying securities;

(II) Notify the state when the securities are marked to the market if the required margin on the agreement is not maintained;

(III) Hold the securities separate from the assets of the custodian; and

(IV) Report periodically to the state concerning the market value of the securities;

(3) The market value of the purchased securities must exceed 102 percent of the repurchase price to be paid by the counterparty and the value of the purchased securities must be marked to the market weekly;

(4) The date on which the securities are to be repurchased must not be more than 90 days after the date of purchase; and

(5) The purchased securities must not have a term to maturity at the time of purchase in excess of 10 years.

3. As used in subsection 2:

(a) "Counterparty" means a bank organized and operating or licensed to operate in the United States pursuant to federal or state law or a securities dealer which is:

(1) A registered broker-dealer;

(2) Designated by the Federal Reserve Bank of New York as a "primary" dealer in United States government securities; and

(3) In full compliance with all applicable capital requirements.

(b) "Repurchase agreement" means a purchase of securities by the state or state insurance fund from a counterparty which commits to repurchase those securities or securities of the same issuer, description, issue date and maturity on or before a specified date for a specified price.

4. No money of this state may be invested pursuant to a reverse-repurchase agreement, except money invested pursuant to chapter 286 or 616 of NRS.

Sec. 21. NRS 355.170 is hereby amended to read as follows:

355.170 1. Except as otherwise provided in this section and in NRS 354.750, a board of county commissioners, a board of trustees of a county school district or the governing body of an incorporated city may purchase for investment the following securities and no others:

(a) Bonds and debentures of the United States, the maturity dates of which do not extend more than 10 years from the date of purchase.

(b) Farm loan bonds, consolidated farm loan bonds, debentures, consolidated debentures and other obligations issued by federal land banks and federal intermediate credit banks under the authority of the Federal Farm Loan Act, formerly 12 U.S.C. §§ 636 to 1012, inclusive, and §§ 1021 to 1129, inclusive, and the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, and bonds, debentures, consolidated debentures and other obligations issued by banks for cooperatives under the authority of the Farm Credit Act of 1933, formerly 12 U.S.C. §§ 1131 to 1138e, inclusive, and the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive.

(c) Bills and notes of the United States Treasury, the maturity date of which is not more than 10 years from date of purchase.

(d) Obligations of an agency or instrumentality of the United States of America or a corporation sponsored by the government, the maturity date of which is not more than 10 years from the date of purchase.

(e) Negotiable certificates of deposit issued by commercial banks or insured savings and loan associations.

(f) Securities which have been expressly authorized as investments for local governments or agencies, as defined in NRS 354.474, by any provision of Nevada Revised Statutes or by any special law.

(g) Subject to the limitations contained in NRS 355.177, negotiable notes or short-time negotiable bonds issued by local governments of the State of Nevada pursuant to [NRS 354.440.] *section 4 of this act.*

(h) Bankers' acceptances of the kind and maturities made eligible by law for rediscount with Federal Reserve Banks, and generally accepted by banks or trust companies which are members of the Federal Reserve System. Eligible bankers' acceptances may not exceed 180 days' maturity. Purchases of bankers' acceptances may not exceed 20 percent of the money available to a local government for investment as determined on the date of purchase.

(i) Obligations of state and local governments if:

(1) The interest on the obligation is exempt from gross income for federal income tax purposes; and

(2) The obligation has been rated "A" or higher by one or more nationally recognized bond credit rating agencies.

(j) Commercial paper issued by a corporation organized and operating in the United States or by a depository institution licensed by the United States or any state and operating in the United States that:

(1) Is purchased from a registered broker-dealer;

(2) At the time of purchase has a remaining term to maturity of no more than 270 days; and

(3) Is rated by a nationally recognized rating service as "A-1," "P-1" or its equivalent, or better,

except that investments pursuant to this paragraph may not, in aggregate value, exceed 20 percent of the total portfolio as determined on the date of purchase, and if the rating of an obligation is reduced to a level that does not meet the requirements of this paragraph, it must be sold as soon as possible.

(k) Money market mutual funds which:

- (1) Are registered with the Securities and Exchange Commission;
- (2) Are rated by a nationally recognized rating service as "AAA" or its equivalent; and
- (3) Invest only in securities issued by the Federal Government or agencies of the Federal Government or in repurchase agreements fully collateralized by such securities.

2. Repurchase agreements are proper and lawful investments of money of a board of county commissioners, a board of trustees of a county school district or a governing body of an incorporated city for the purchase or sale of securities which are negotiable and of the types listed in subsection 1 if made in accordance with the following conditions:

(a) The board of county commissioners, the board of trustees of the school district or the governing body of the city shall designate in advance and thereafter maintain a list of qualified counterparties which:

(1) Regularly provide audited and, if available, unaudited financial statements;

(2) The board of county commissioners, the board of trustees of the school district or the governing body of the city has determined to have adequate capitalization and earnings and appropriate assets to be highly credit worthy; and

(3) Have executed a written master repurchase agreement in a form satisfactory to the board of county commissioners, the board of trustees of the school district or the governing body of the city pursuant to which all repurchase agreements are entered into. The master repurchase agreement

must require the prompt delivery to the board of county commissioners, the board of trustees of the school district or the governing body of the city and the appointed custodian of written confirmations of all transactions conducted thereunder, and must be developed giving consideration to the Federal Bankruptcy Act.

(b) In all repurchase agreements:

(1) At or before the time money to pay the purchase price is transferred, title to the purchased securities must be recorded in the name of the appointed custodian, or the purchased securities must be delivered with all appropriate, executed transfer instruments by physical delivery to the custodian;

(2) The board of county commissioners, the board of trustees of the school district or the governing body of the city must enter a written contract with the custodian appointed pursuant to subparagraph (1) which requires the custodian to:

(I) Disburse cash for repurchase agreements only upon receipt of the underlying securities;

(II) Notify the board of county commissioners, the board of trustees of the school district or the governing body of the city when the securities are marked to the market if the required margin on the agreement is not maintained;

(III) Hold the securities separate from the assets of the custodian; and

(IV) Report periodically to the board of county commissioners, the board of trustees of the school district or the governing body of the city concerning the market value of the securities;

(3) The market value of the purchased securities must exceed 102 percent of the repurchase price to be paid by the counterparty and the value of the purchased securities must be marked to the market weekly;

(4) The date on which the securities are to be repurchased must not be more than 90 days after the date of purchase; and

(5) The purchased securities must not have a term to maturity at the time of purchase in excess of 10 years.

3. The securities described in paragraphs (a), (b) and (c) of subsection 1 and the repurchase agreements described in subsection 2 may be purchased when, in the opinion of the board of county commissioners, the board of trustees of a county school district or the governing body of the city, there is sufficient money in any fund of the county, the school district or city to purchase those securities and the purchase will not result in the impairment of the fund for the purposes for which it was created.

4. When the board of county commissioners, the board of trustees of a county school district or governing body of the city has determined that there is available money in any fund or funds for the purchase of bonds as set out in subsection 1 or 2, those purchases may be made and the bonds paid for out of any one or more of the funds, but the bonds must be credited to the funds in the amounts purchased, and the money received from the redemption of the bonds, as and when redeemed, must go back into the fund or funds from which the purchase money was taken originally.

5. Any interest earned on money invested pursuant to subsection 3, may, at the discretion of the board of county commissioners, the board of trustees of a

county school district or governing body of the city, be credited [either] to the fund from which the principal was taken or to the general fund of the county, school district or incorporated city.

6. The board of county commissioners, the board of trustees of a county school district or governing body of an incorporated city may invest any money apportioned into funds and not invested pursuant to subsection 3 and any money not apportioned into funds in bills and notes of the United States Treasury, the maturity date of which is not more than 1 year [from] *after* the date of investment. These investments must be considered as cash for accounting purposes, and all the interest earned on them must be credited to the general fund of the county, school district or incorporated city.

7. This section does not authorize the investment of money administered pursuant to a contract, debenture agreement or grant in a manner not authorized by the terms of the contract, agreement or grant.

8. As used in this section:

(a) "Counterparty" means a bank organized and operating or licensed to operate in the United States pursuant to federal or state law or a securities dealer which is:

(1) A registered broker-dealer;

(2) Designated by the Federal Reserve Bank of New York as a "primary" dealer in United States government securities; and

(3) In full compliance with all applicable capital requirements.

(b) "Repurchase agreement" means a purchase of securities by a board of county commissioners, the board of trustees of a county school district or the

governing body of an incorporated city from a counterparty which commits to repurchase those securities or securities of the same issuer, description, issue date and maturity on or before a specified date for a specified price.

Sec. 22. NRS 373.020 is hereby amended to read as follows:

373.020 As used in this chapter, unless the context otherwise requires:

1. "Acquisition" or "acquire" means the opening, laying out, establishment, purchase, construction, securing, installation, reconstruction, lease, gift, grant from the United States of America, any agency, instrumentality or corporation thereof, the State of Nevada, any body corporate and politic therein, any corporation, or any person, the endowment, bequest, devise, condemnation, transfer, assignment, option to purchase, other contract, or other acquirement (or any combination thereof) of any project, or an interest therein, authorized by this chapter.

2. "Board" means the board of county commissioners.

3. "City" means an incorporated city.

4. "Commission" means the regional transportation commission.

5. "Cost of the project," or any phrase of similar import, means all or any part designated by the board of the cost of any project, or interest therein, being acquired, which cost, at the option of the board may include all or any part of the incidental costs pertaining to the project, including , without limitation , preliminary expenses advanced by the county from money available for use therefor or any other source, or advanced by any city with the approval of the county from money available therefor or from any other source, or advanced by the State of Nevada or the Federal Government, or any

corporation, agency or instrumentality thereof, with the approval of the county (or any combination thereof), in the making of surveys, preliminary plans, estimates of costs, other preliminaries, the costs of appraising, printing, estimates, advice, contracting for the services of engineers, architects, financial consultants, attorneys at law, clerical help, other agents or employees, the costs of making, publishing, posting, mailing and otherwise giving any notice in connection with the project, the taking of options, the issuance of bonds and other securities, contingencies, the capitalization with bond proceeds of any interest on the bonds for any period not exceeding 1 year and of any reserves for the payment of the principal of an interest on the bonds, the filing or recordation of instruments, the costs of [short-term financing,] *medium-term obligations*, construction loans and other temporary loans of not exceeding 10 years appertaining to the project and of the incidental expenses incurred in connection with such financing or loans, and all other expenses necessary or desirable and appertaining to any project, as estimated or otherwise ascertained by the board.

6. "Federal securities" means bills, certificates of indebtedness, notes, bonds or similar securities which are direct obligations of, or the principal and interest of which securities are unconditionally guaranteed by, the United States of America.

7. "Improvement" or "improve" means the extension, widening, lengthening, betterment, alteration, reconstruction, surfacing, resurfacing or other major improvement (or any combination thereof) of any project, or an interest therein, authorized by this chapter. The term does not include

renovation, reconditioning, patching, general maintenance or other minor repair.

8. "Project" means street and highway construction, including , without limitation , the acquisition and improvement of any street, avenue, boulevard, alley, highway or other public right of way used for any vehicular traffic, and including a sidewalk designed primarily for use by pedestrians, and also including , without limitation , grades, regrades, gravel, oiling, surfacing, macadamizing, paving, crosswalks, sidewalks, pedestrian rights of way, driveway approaches, curb cuts, curbs, gutters, culverts, catch basins, drains, sewers, manholes, inlets, outlets, retaining walls, bridges, overpasses, tunnels, underpasses, approaches, sprinkling facilities, artificial lights and lighting equipment, parkways, grade separators, traffic separators, and traffic control equipment, and all appurtenances and incidentals, or any combination thereof, including , without limitation , the acquisition and improvement of all types of property therefor.

9. "Town" means an unincorporated town.

Sec. 23. NRS 387.305 is hereby amended to read as follows:

387.305 [Short-term financing] *A medium-term obligation* for the purpose of meeting a great necessity may be authorized by the board of trustees of a school district in the manner provided in chapter [354] 350 of NRS.

Sec. 24. NRS 474.170 is hereby amended to read as follows:

474.170 The board of directors [shall have] *has* the powers and duties with respect to [short-term financing] *medium-term obligations* provided in chapter [354] 350 of NRS.

Sec. 25. NRS 496.155 is hereby amended to read as follows:

496.155 1. Subject to the provisions of NRS 496.150 and subsections 2 and 3 of this section, for any undertaking authorized in NRS 496.150, the governing body of a municipality, as it determines from time to time, may, on the behalf and in the name of the municipality, borrow money, otherwise become obligated, and evidence the obligations by the issuance of bonds and other municipal securities, and in connection with the undertaking or the municipal airport, including , without limitation , air navigation facilities and other facilities appertaining to the airport, the governing body may otherwise proceed as provided in the Local Government Securities Law or as provided in subsections 4 and 5.

2. General obligation bonds, whether or not their payment is additionally secured by a pledge of net revenues, must be sold as provided in the Local Government Securities Law.

3. Revenue bonds may be sold at a public sale as provided in the Local Government Securities Law or at a private sale.

4. The governing body may by resolution acquire real property for the expansion of airport or air navigation facilities by entering into contracts of purchase, of a type and duration and on such terms as the governing body determines, including , without limitation , contracts secured by a mortgage or other security interest in the real property. The governing body may not use any revenue derived from taxes ad valorem to pay for the acquisition, and the obligation under the contract does not constitute a general obligation of the

municipality or apply against any debt limitation pertaining to the municipality.

5. The governing body may by resolution enter into [short-term financing] *a medium-term obligation* for any undertaking authorized in NRS 496.150 and issue negotiable instruments without regard to the requirements specified in:

(a) Paragraphs (a) and (b) of subsection 2 of [NRS 354.440;] *section 4 of this act*; and

(b) Subsections 1 and 2 of [NRS 354.430,] *section 3 of this act*, unless the financing is to be repaid from the proceeds of a special tax exempt from limitations on taxes ad valorem.

Sec. 26. NRS 543.700 is hereby amended to read as follows:

543.700 1. A district, upon the affirmative vote of a majority of the board, may borrow money without an election in anticipation of the collection of taxes or other revenues and to issue short-term notes to evidence the amount so borrowed.

2. Such short-term notes:

(a) Must be payable from the fund for which the money was borrowed.

(b) Must mature in accordance with the provisions of [NRS 354.440.] *section 4 of this act*.

(c) Must not be extended or funded except in compliance with NRS 543.690.

Sec. 27. NRS 547.090 is hereby amended to read as follows:

547.090 An agricultural association may:

1. Contract and be contracted with.

2. Sue and be sued.
3. Have and use a common seal.
4. Purchase, hold and lease real property, with such buildings and improvements as may be erected thereon, and may sell, lease and dispose of the same at pleasure. The real property [shall] *must* be used by the agricultural association for the purpose of holding exhibitions of horses, cattle and other livestock, and of the agricultural, horticultural, viticultural, mechanical, manufacturing and domestic products of the district, with a view to the improvement of all of the industries in the agricultural district.
5. Obtain [short-term financing] *medium-term obligations* as provided in chapter [354] 350 of NRS for local governments other than counties.

Sec. 28. NRS 555.215 is hereby amended to read as follows:

555.215 1. Upon the preparation and approval of a budget in the manner required by the Local Government Budget Act, the board of county commissioners of each county having lands situated in the district shall, by resolution, levy an assessment upon all real property in the county which is in the weed control district.

2. Every assessment so levied [shall be] *is* a lien against the property assessed.

3. Amounts collected in counties other than the county having the larger or largest proportion of the area of the district must be paid over to the board of county commissioners of that county for the use of the district.

4. The county commissioners of that county may obtain [short-term loans] *medium-term obligations pursuant to sections 3 to 6, inclusive, of this act* of an

amount of money not to exceed the total amount of the assessment, [for the purpose of paying] *to pay* the expenses of controlling the weeds in the weed control district. The loans may be made only after the assessments are levied.

Sec. 29. NRS 354.430, 354.440, 354.450, 354.460 and 354.618 are hereby repealed.

Sec. 30. In preparing the reprint of the Nevada Revised Statutes, the legislative counsel shall appropriately change any reference to the former provisions renamed as "medium-term obligations" by the amendatory provisions of this act, in any section which is not amended by this act or is further amended by another act.

LEADLINES OF REPEALED SECTIONS

354.430 Approval or disapproval of resolution authorizing short-term financing.

354.440 Evidence of short-term financing: Issuance; terms.

354.450 Limitations on transfer of money for short-term financing.

354.460 Levy of special tax; transfer of money remaining in fund.

354.618 Short-term financing: Resolution; publication or posting of notice; capital expenditures for public safety.

SUMMARY--Revises provisions relating to districts for the control of floods.

(BDR 48-405)

FISCAL NOTE: Effect on Local Government: Yes.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to districts for the control of floods; revising the provisions governing the creation of those districts; authorizing all counties to impose a tax on certain tangible property for the support of those districts; 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 543.240 is hereby amended to read as follows:

543.240 [1. In any county whose population is 400,000 or more the entire county constitutes the district.] *The board of county commissioners of any county may create a district pursuant to NRS 543.170 to 543.830, inclusive. The district so created must consist of the entire county.*

[2. In any other county a district may:

(a) Consist of one contiguous area or of two or more noncontiguous areas.

(b) Include all or part of municipal corporations and other political subdivisions.]

Sec. 2. NRS 543.250 is hereby amended to read as follows:

543.250 [1. In any county whose population is less than 400,000 the board of county commissioners may create districts.

2.] No member of a board of county commissioners or board of directors is disqualified to perform any duty imposed by NRS 543.170 to 543.830, inclusive, by reason of ownership of property within any proposed district.

[3. A district so created may include territory within another such county, with the consent of the board of county commissioners of the other county.]

Sec. 3. NRS 543.260 is hereby amended to read as follows:

543.260 1. The organization of a district must be initiated by the adoption of an ordinance by the board of county commissioners, which ordinance is in NRS 543.170 to 543.830, inclusive, sometimes designated the "initiating ordinance."

2. The initiating ordinance must set forth:

(a) The name of the proposed district, consisting of a chosen name preceding the words "District for the Control of Floods."

(b) A statement of the necessity for the district and the general purposes for which the district is proposed to be created.

(c) A statement that improvements of the district will not interfere with or affect vested water rights.

(d) A general description of the boundaries of the district . [or the territory to be included therein, with such certainty as to enable a property owner to determine whether his property is within the district.]

(e) The place and time for the hearing on the creation of the district.

Sec. 4. NRS 543.355 is hereby amended to read as follows:

543.355 1. Each district shall establish a citizens' advisory committee to be composed of representatives of the general public. The committee must consist of one member appointed by the county and each city [all or part of whose territory is included] *located* in the district, and one member appointed by each member of the board. The board shall determine the terms of the members.

2. The members of the committee shall elect a chairman and a vice chairman. The committee may adopt rules for its [own] management.

3. The committee may meet as often as necessary to advise the board.

4. The committee shall represent the public interest and advise the board on matters related to the master plan and such other matters as the board directs.

Sec. 5. NRS 543.600 is hereby amended to read as follows:

543.600 1. [In a county whose population is 400,000 or more, the] A board of county commissioners shall hold public hearings before deciding which one or combination of the powers set forth in subsections 3 and 4 is to be used to provide revenue for the support of the district. The method selected must be approved by a majority of the voters of the district voting on the question at a special, primary or general election.

2. A special election may be held only if [the] a board of county commissioners determines, by a unanimous vote, that an emergency exists. The determination made by the board is conclusive unless it is shown that the board acted with fraud or a gross abuse of discretion. An action to challenge the determination made by the board must be commenced within 15 days after

the board's determination is final. As used in this subsection, "emergency" means any unexpected occurrence or combination of occurrences which requires immediate action by the board of county commissioners to prevent or mitigate a substantial financial loss to the district or county or to enable the board to provide an essential service to the residents of the district.

3. [The] A board of county commissioners [in such a county] may levy and collect taxes ad valorem upon all taxable property in the county. This levy is not subject to the limitations imposed by NRS 354.59811. A district for which a tax is levied pursuant to this subsection is not entitled to receive any distribution of revenue from the supplemental city-county relief tax.

4. [The] A board of county commissioners [in such a county] may impose a tax of not more than 0.25 percent on retail sales and the storage, use or other consumption of tangible personal property in the county. The ordinance imposing this tax must conform, except as to amount, to the requirements of chapter 377 of NRS and the tax must be paid as provided in that chapter.

5. [In any other county, the board of county commissioners may only levy taxes ad valorem upon all taxable property in the district.

6. In any county, the] A board of directors may use any other money, including federal revenue sharing, that is made available to the district.

Sec. 6. NRS 543.665, 543.675 and 543.685 are hereby repealed.

TEXT OF REPEALED SECTIONS

543.665 Boundary changes; liability of property.

1. The boundary of any district organized under the provisions of NRS 543.170 to 543.830, inclusive, may be changed in the manner prescribed in NRS 543.675 and 543.685, but the change of boundaries of the district does not impair or affect its organization, or affect, impair or discharge any contract, obligation, lien or charge on which it or the property therein might be liable or chargeable had the change of boundaries not been made.

2. Property included within or annexed to a district is subject to the payment of taxes, assessments and charges, as provided in NRS 543.685. Real property excluded from a district is thereafter subject to the levy of taxes for the payment of its proportionate share of any indebtedness of the district outstanding at the time of the exclusion and is subject to any outstanding special assessment lien thereon.

543.675 Exclusion.

1. In a county whose population is less than 400,000 an owner in fee of real property situate in the district may file with the board a petition praying that those lands be excluded from the district.

2. Petitions must:

(a) Describe the property which the petitioner desires to have excluded.

(b) State that the property does not produce any runoff of floodwater capable of being served by the facilities of the district or by any future improvement contained in the master plan.

(c) Be acknowledged in the same manner and form as required in case of a conveyance of land.

(d) Be accompanied by a deposit of money sufficient to pay all costs of the proceedings for exclusion.

3. The secretary of the board shall cause a notice of filing of such petition to be published, which must:

(a) State the filing of the petition.

(b) State the names of the petitioners.

(c) Describe the property mentioned in the petition.

(d) State the prayer of the petitioners.

(e) Notify all persons interested to appear at the office of the board at the time named in the notice, and show cause in writing why the petition should not be granted.

4. The board at the time and place mentioned in the notice, or at the times to which the hearing of the petition may be adjourned, shall proceed to hear the petition and all objections thereto, presented in writing by any person.

5. The filing of the petition is an assent by each petitioner to the exclusion from the district of all or part of the property mentioned in the petition.

6. The board, if it considers it not to be in the best interest of the district that all or part of the property be excluded from the district, shall order that the petition be denied in whole or in part, as the case may be.

7. If the board considers it to be in the best interest of the district that the property mentioned in the petition be excluded from the district, the board shall order that the petition be granted in whole or in part, as the case may be.

8. There may be no withdrawal from a petition after consideration by the board nor may further objection be filed except in case of fraud or misrepresentation.

9. Upon granting the petition, the board shall file for record a certified copy of its ordinance making the change, in the manner provided in NRS 543.300.

543.685 Inclusion. In a county whose population is less than 400,000 the boundaries of a district may be enlarged by the inclusion of additional real property in the following manner:

1. The owner in fee of any real property capable of being served by the facilities of the district may file with the board a petition praying that the property be included in the district.

2. The petition must:

(a) Set forth an accurate legal description of the property.

(b) State that assent to the inclusion of the property in the district is given by all the owners in fee of the property.

(c) Be acknowledged in the same manner required for a conveyance of land.

3. There may be no withdrawal from a petition after consideration by the board nor may further objections be filed except in case of fraud or misrepresentation.

4. The board shall hear the petition at an open meeting after publishing the notice of the filing of the petition, and of the place, time and date of the meeting, and the names and addresses of the petitioners. The board shall grant or deny the petition and the action of the board is final and conclusive. If the petition is granted as to all or any of the real property described, the board shall make an order to that effect, and file it for record in the manner provided in NRS 543.300.

5. After the date of its inclusion in the district, the property is subject to all of the taxes imposed by the district, and is liable for its proportionate share of the existing general obligation bonded indebtedness of the district. It is not liable for any taxes levied or assessed before its inclusion in the district.

SUMMARY--Requires certain bonds issued by municipalities to be sold by competitive bid. (BDR 30-406)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to bonds; requiring certain bonds issued by municipalities to be sold by competitive bid; requiring the governing body of a municipality to establish a procedure for the selection of proposals to sell certain bonds; 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 350 of NRS is hereby amended by adding thereto the provisions set forth as sections 2 to 11, inclusive, of this act.

Sec. 2. *As used in sections 2 to 11, inclusive, of this act, unless the context otherwise requires, the words and terms defined in sections 3 to 6, inclusive, of this act, have the meanings ascribed to them in those sections.*

Sec. 3. *"Bond" means any evidence of indebtedness of a municipality that is issued pursuant to the provisions of this chapter or chapter 244, 244A, 268, 269, 271, 318, 354 or 387 of NRS, whether general or special obligations, including, without limitation, bonds, notes, debentures, warrants and certificates.*

Sec. 4. "Competitive bid" means the procedure for the sale of bonds by a municipality to one or more purchasers determined by the municipality to have offered the best price and interest rate.

Sec. 5. "Financial adviser" means a financial consulting firm whose employees have experience in advising municipalities relating to the issuance of debt instruments, and which, except for its consulting relationship with the municipality, is not under the control of the municipality.

Sec. 6. "Negotiated sale" means the procedure for the sale of bonds by a municipality to one or more purchasers selected pursuant to sections 9 and 10 of this act upon such terms as are agreed upon after the selection of the purchaser.

Sec. 7. 1. Except as otherwise provided in subsection 2, a municipality shall sell the bonds it issues by competitive bid if the credit rating for the bonds or any other bonds of the municipality with the same security, determined without regard to insurance for the bonds or any other independent enhancement of credit, is rated by a nationally recognized rating service as "A," "AA" or "AAA," or their equivalents, and:

- (a) The bonds are general obligation bonds;*
- (b) The municipality will obtain insurance for the bonds before the sale of the bonds;*
- (c) The primary security for the bonds is an excise tax; or*
- (d) The bonds are issued pursuant to chapter 271 of NRS and are secured by a pledge of the taxing power and the general fund of the municipality.*

2. *The provisions of subsection 1 and sections 9 and 10 of this act do not apply to:*

(a) Any bond which is not a general obligation bond that has been issued with a variable rate of interest.

(b) A bond issue whose principal amount is \$1,000,000 or less.

(c) A bond issue with a term of 3 years or less.

(d) A bond issue for which an invitation for competitive bids was issued and for which no bids were received or all bids were rejected.

(e) Leases, contracts for purchase by installment and certificates of participation if the obligations of the municipality thereunder will terminate when the municipality fails to appropriate money to pay that obligation for the next fiscal year.

(f) Economic development revenue bonds issued pursuant to the city economic development revenue bond law or the county economic development revenue bond law.

(g) Bonds sold by the municipality to:

(1) The United States or any agency or instrumentality thereof;

(2) The State of Nevada;

(3) Any other municipality; or

(4) Not more than 10 investors each of whom certifies that he:

(I) Has a net worth of \$500,000 or more; and

(II) Is purchasing for investment and not for resale.

(h) Bonds which require unusual methods of financing, if the chief administrative officer, chief financial officer and financial adviser of the municipality certify that the proposed method of financing:

- (1) Has not been used previously by any municipality in this state; and*
- (2) May provide a substantial benefit to the municipality.*

(i) Refunding bonds, if the chief administrative officer, chief financial officer and financial adviser of the municipality certify that the use of a negotiated sale may provide a substantial benefit to the municipality which would not be available if the bonds were sold by competitive bid.

3. The certificate required by paragraph (h) of subsection 2 must specifically describe the proposed method of financing. The certificate required by paragraph (i) of subsection 2 must specifically describe the circumstances that may provide a substantial benefit if the refunding bonds are negotiated. Both certificates must include the estimated amount of the benefit which will accrue to the municipality.

4. A copy of the certificate required by paragraph (h) or (i) of subsection 2 must be filed with the general obligation bond commission of the county where the municipality is located, the county clerk and the department of taxation. Before entering into a contract to sell bonds, the members of the governing body of the municipality who are present at the meeting at which the certificate is presented to the governing body, must unanimously approve the certificate.

5. If a municipality sells the bonds it issues by competitive bid, it must cause an invitation for competitive bids, or notice thereof, to be published before the date of the sale in the daily or weekly version of the Bond Buyer, published at

One State Street Plaza in New York City, New York, or any successor publication.

6. As used in this section "invitation for competitive bids" means a process by which sealed bids or the reasonable equivalent thereof, as approved by the governing body of a municipality, are solicited, received and publicly opened at a specified time, place and date.

Sec. 8. 1. The governing body of a municipality may, before any sale of bonds, whether by competitive bid or negotiated sale, delegate to the chief administrative officer or chief financial officer of the municipality the authority to sign a contract for the purchase of the bonds or to accept a binding bid for the bonds subject to the requirements specified by the governing body concerning:

(a) The rate of interest on the bonds;

(b) The dates on which and the prices at which the bonds may be called for redemption before maturity;

(c) The price at which the bonds will be sold; and

(d) The principal amount of the bonds and the amount of principal maturing in any particular year.

2. All terms of the bonds other than:

(a) The rate of interest;

(b) The dates and prices for the redemption of the bonds;

(c) The price for the sale of the bonds;

(d) The principal amount of the bonds; and

(e) The requirements for the principal maturing in particular years.

must be approved by the governing body of the municipality before the bonds are delivered.

3. The final rate of interest, dates and prices of redemption, price for the sale of the bonds, principal amount and the requirements for the principal amount maturing in particular years are not required to be approved by the governing body of the municipality if each of those terms complies with the requirements specified by the governing body before the contract for the purchase of the bonds is signed or the bid for the bonds is accepted.

Sec. 9. 1. If a municipality wishes to sell its bonds by a negotiated sale, it shall provide notice of the request for proposals in a manner that ensures that a reasonable number of underwriters for the size of the bond issue are notified of the request. The governing body of the municipality shall approve the notice.

2. The procedure for a request for proposals established by a municipality, including any requirement relating to:

(a) The rotation of the managing underwriters; and

(b) The municipality's policy of equal opportunity concerning the selection of underwriters,

must be described in the written statement of the debt management policy of the municipality.

3. A municipality may negotiate the sale of the bonds described in the request for proposals with the underwriter it selects for not more than 5 years after the date of the selection of that underwriter. If bonds are not described in the request for proposals or if a negotiated sale occurs more than 5 years after the selection of an underwriter, the municipality shall request proposals from

underwriters pursuant to subsection 1 before it selects an underwriter for that negotiated sale.

4. As used in this section, "request for proposals" means a statement which requests that prospective underwriters submit proposals to the municipality to provide underwriting services for the negotiated sale.

Sec. 10. 1. The governing body of a municipality which sells bonds by a negotiated sale shall establish a procedure for the selection of a proposal for the sale of the bonds. The procedure must include a consideration of:

(a) The ability and experience of the responding underwriter in the underwriting of bonds sold by competitive bid or negotiated sale;

(b) The degree to which the proposal of the responding underwriter meets the needs of the municipality and minimizes the risk and cost to the municipality;

(c) An estimation of any fees or other elements of the gross spread between the price paid to the municipality for the bonds and the price at which the bonds are sold to investors;

(d) Any other fees, charges or commissions which the municipality will be required to pay in connection with the issuance of the bonds; and

(e) Any fees paid by the underwriter to persons who are not his employees to obtain business from the municipality.

2. The chief administrative officer, chief financial officer and the financial adviser of the municipality shall certify that the procedure for selecting a proposal for the negotiated sale pursuant to section 7 of this act was conducted in an open and fair manner.

Sec. 11. *A financial adviser who provides any certificate required pursuant to sections 2 to 11, inclusive, of this act, must not:*

- 1. Be;*
- 2. Control;*
- 3. Be controlled by; or*
- 4. Be under common control with,*

an underwriter for the bonds if those bonds are sold at a negotiated sale.

Sec. 12. NRS 350.616 is hereby amended to read as follows:

350.616 1. Notes, bonds and interim debentures [may be issued at public or private sale.] *must be sold in the manner prescribed in sections 2 to 11, inclusive, of this act.*

2. Warrants may be issued to evidence the amount due to any person furnishing services or materials as provided in the Local Government Securities Law.

3. Temporary bonds must be issued to a purchaser of the definitive bonds in anticipation of the exchange of the former for the latter.

Sec. 13. NRS 350.692 is hereby amended to read as follows:

350.692 1. Any bonds issued for refunding purposes may [either] be delivered in exchange for the outstanding bonds being refunded or may be [publicly or privately sold.] *sold in the manner prescribed in sections 2 to 11, inclusive, of this act.*

2. The refunding bonds, or any part thereof, except as limited by subsection 2 of NRS 350.698, may be exchanged by the municipality for federal securities and other securities of the Federal Government which have been made

available for escrow investment by any purchaser of refunding bonds, upon terms of exchange mutually agreed upon, and any such securities so received by the municipality [shall] *must* be placed in escrow as provided in NRS 350.696 and 350.698.

Sec. 14. NRS 244A.643 is hereby amended to read as follows:

244A.643 The board is authorized to sell such bonds from time to time [at public or private sale as the board may determine,] *in the manner prescribed in sections 2 to 11, inclusive, of this act* and may employ legal, fiscal, engineering or other expert services in connection with the acquisition, improvement, extension or betterment of the improvements or facilities and with the authorization, issuance and sale of the bonds.

Sec. 15. NRS 271.485 is hereby amended to read as follows:

271.485 1. Any bonds issued pursuant to this chapter may be sold in such a manner as may be approved by the governing body to defray the cost of the project, including all proper incidental expenses.

2. Bonds [may be sold at a public or private sale:] *must be sold in the manner prescribed in sections 2 to 11, inclusive, of this act:*

(a) For not less than the principal amount thereof and accrued interest thereon; or

(b) At the option of the governing body, below par at a discount not exceeding 9 percent of the principal amount and except as otherwise provided in NRS 271.487 and 271.730, at a price which will not result in an effective interest rate which exceeds by more than 3 percent the Index of Twenty Bonds which was most recently published before the bids are received or a negotiated

offer is accepted if the maximum or any lesser amount of discount permitted by the governing body has been capitalized as a cost of the project.

3. Except as otherwise provided in NRS 271.487 and 271.730, the rate of interest of the bonds must not at any time exceed the rate of interest, or lower or lowest rate if more than one, borne by the special assessments, but any rate of interest of the bonds may be the same as or less than any rate of interest of the assessment, subject to the limitation provided in subsection 2, as the governing body may determine.

4. The governing body may employ legal, fiscal, engineering and other expert services in connection with any project authorized by this chapter and the authorization, issuance and sale of bonds.

5. Any accrued interest and any premium must be applied to the payment of the interest on or the principal of the bonds, or both interest and principal.

6. Any unexpended balance of the proceeds of the bond remaining after the completion of the project for which the bonds were issued must be paid immediately into the fund created for the payment of the principal of the bonds and must be used therefor, subject to the provisions as to the times and methods for their payment as stated in the bonds and the proceedings authorizing their issuance.

7. The validity of the bonds must not be dependent on nor affected by the validity or regularity of any proceedings relating to the acquisition or improvement of the project for which the bonds are issued.

8. A purchaser of the bonds is not responsible for the application of the proceeds of the bonds by the municipality or any of its officers, agents and employees.

9. The governing body may enter into a contract to sell special assessment bonds at any time [;] but, if the governing body so contracts before it awards a construction contract or otherwise contracts for acquiring or improving the project, the governing body may terminate the contract to sell the bonds, if:

(a) Before awarding the construction contract or otherwise contracting for the acquisition or improvement of the project, it determines not to acquire or improve the project; and

(b) It has not elected to proceed under subsection 2 or 3 of NRS 271.330, but has elected to proceed under subsection 1 thereof.

10. If the governing body ceases to have jurisdiction to proceed, because the owners of more than one-half of the frontage to be assessed, or of such area, zone or other assessment basis, file written complaints, protests and objections to the project, as provided in NRS 271.306, or for any other reason, any contract to sell special assessment bonds is terminated and becomes inoperative.

SUMMARY--Authorizes municipalities to issue refunding bonds for improvement districts under certain circumstances. (BDR 21-407)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to bonds; authorizing municipalities to issue bonds to refund outstanding bonds of improvement districts under certain circumstances; authorizing municipalities to issue a single issue of bonds to defray the costs of projects in two or more improvement districts; 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 271 of NRS is hereby amended by adding thereto a new section to read as follows:

1. The governing body may issue bonds to refund the outstanding bonds of one or more improvement districts. The bonds must be issued pursuant to the provisions of this chapter and the Local Government Securities Law.

2. For the purposes of the Local Government Securities Law, the bonds issued to refund the outstanding bonds of one or more improvement districts shall be deemed special obligations and the assessments shall be deemed net pledged revenues. If the bonds are issued, the governing body shall, by

resolution, reduce the rate of interest on the uncollected installments of assessments. The rate of interest must not exceed the amount set forth in NRS 271.415, plus any amount necessary to pay the costs of the refunding.

Sec. 2. NRS 271.485 is hereby amended to read as follows:

271.485 1. Any bonds issued pursuant to this chapter may be sold in such a manner as may be approved by the governing body to defray the cost of the project, including all proper incidental expenses. *The governing body may issue a single issue of bonds to defray the costs of projects in two or more improvement districts if the principal amount of those bonds does not exceed the total uncollected assessments levied in each improvement district.*

2. Bonds may be sold at a public or private sale:

(a) For not less than the principal amount thereof and accrued interest thereon; or

(b) At the option of the governing body, below par at a discount not exceeding 9 percent of the principal amount and except as otherwise provided in NRS 271.487 and 271.730, at a price which will not result in an effective interest rate which exceeds by more than 3 percent the Index of Twenty Bonds which was most recently published before the bids are received or a negotiated offer is accepted if the maximum or any lesser amount of discount permitted by the governing body has been capitalized as a cost of the project.

3. Except as otherwise provided in NRS 271.487 and 271.730, the rate of interest of the bonds must not at any time exceed the rate of interest, or lower or lowest rate if more than one, borne by the special assessments, but any rate of interest of the bonds may be the same as or less than any rate of interest of

the assessment, subject to the limitation provided in subsection 2, as the governing body may determine.

4. The governing body may employ legal, fiscal, engineering and other expert services in connection with any project authorized by this chapter and the authorization, issuance and sale of bonds.

5. Any accrued interest and any premium must be applied to the payment of the interest on or the principal of the bonds, or both interest and principal.

6. Any unexpended balance of the proceeds of the bond remaining after the completion of the project for which the bonds were issued must be paid immediately into the fund created for the payment of the principal of the bonds and must be used therefor, subject to the provisions as to the times and methods for their payment as stated in the bonds and the proceedings authorizing their issuance.

7. The validity of the bonds must not be dependent on nor affected by the validity or regularity of any proceedings relating to the acquisition or improvement of the project for which the bonds are issued.

8. A purchaser of the bonds is not responsible for the application of the proceeds of the bonds by the municipality or any of its officers, agents and employees.

9. The governing body may enter into a contract to sell special assessment bonds at any time [;] but, if the governing body so contracts before it awards a construction contract or otherwise contracts for acquiring or improving the project, the governing body may terminate the contract to sell the bonds, if:

(a) Before awarding the construction contract or otherwise contracting for the acquisition or improvement of the project, it determines not to acquire or improve the project; and

(b) It has not elected to proceed [under] *pursuant to* subsection 2 or 3 of NRS 271.330, but has elected to proceed [under subsection 1 thereof.] *pursuant to subsection 1 of that section.*

10. If the governing body ceases to have jurisdiction to proceed, because the owners of more than one-half of the frontage to be assessed, or of such area, zone or other assessment basis, file written complaints, protests and objections to the project, as provided in NRS 271.306, or for any other reason, any contract to sell special assessment bonds is terminated and becomes inoperative.

SUMMARY--Revises provisions relating to distribution of uncommitted balance in fund for municipal bond bank. (BDR 30-408)

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

AN ACT relating to the fund for the municipal bond bank; revising the provisions relating to the distribution of any uncommitted balance in that fund; 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 350A.190 is hereby amended to read as follows:

350A.190 1. All revenues from lending projects must be deposited in the fund for the municipal bond bank in the state treasury, which is hereby created as a special revenue fund.

2. Any revenue from lending projects which is in the fund must be applied in the following order of priority:

(a) Deposited into the consolidated bond interest and redemption fund created pursuant to NRS 349.090 in amounts necessary to pay the principal of, interest on and redemption premiums due in connection with state securities issued pursuant to this chapter.

(b) Deposited into any reserve account created for the payment of the principal of, interest on and redemption premiums due in connection with state securities issued pursuant to this chapter, in amounts and at times determined to be necessary.

(c) Paid out for expenses of operation and maintenance.

(d) [On] *Except as otherwise provided in subsection 3, on July 1 of each odd-numbered year, to the extent of any uncommitted balance in the fund, deposited in the [state general fund.] general fund of each municipality which issued municipal securities or revenue securities in the proportion that the amount of municipal securities or revenue securities issued by the municipality bears to the total amount of municipal securities or revenue securities issued by all municipalities.*

3. The uncommitted balance in the fund, or any part thereof, may not be transferred to the general fund of a municipality pursuant to paragraph (d) of subsection 2 if, in the opinion of the bond counsel for the municipal bond bank, such a transfer would cause the interest on any state securities, municipal securities or revenue securities to lose its exemption from federal income taxation or require a rebate or other payment to the Federal Government pursuant to the Internal Revenue Code of 1986, in effect on July 1, 1995, future amendments to that code and the corresponding provisions of future internal revenue laws.

Sec. 2. This act becomes effective on July 1, 1995.

SUMMARY--Revises provisions relating to imposition of certain taxes for capital projects and financing construction of schools.
(BDR 34-409)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to local governmental finances; limiting the period during which certain taxes may be levied to finance the construction of schools; requiring the board of county commissioners to obtain the approval of the general obligation bond commission of the county before it submits a proposal for the imposition of an additional tax ad valorem for capital projects to the voters of the county for approval; 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 387.3285 is hereby amended to read as follows:

387.3285 1. Upon the approval of a majority of the registered voters of a county voting upon the question, the board of county commissioners in each county with a school district whose enrollment is fewer than 25,000 pupils may levy a tax which, when combined with any tax imposed pursuant to NRS 387.3287, is not more than 75 cents on each \$100 of assessed valuation of

taxable property within the county. *The question submitted to the registered voters must include the period during which the tax will be levied. The period may not exceed 20 years.*

2. Upon the approval of a majority of the registered voters of a county voting upon the question, the board of county commissioners in each county with a school district whose enrollment is 25,000 pupils or more may levy a tax which, when combined with any tax imposed pursuant to NRS 387.3287, is not more than 50 cents on each \$100 of assessed valuation of taxable property within the county. *The question submitted to the registered voters must include the period during which the tax will be levied. The period may not exceed 20 years.*

3. Any money collected pursuant to this section must be deposited in the county treasury to the credit of the fund for capital projects to be held and, except as otherwise provided in NRS 387.3287, to be expended in the same manner as other money deposited in that fund.

Sec. 2. NRS 387.3287 is hereby amended to read as follows:

387.3287 1. Except as otherwise provided in subsections 4 and 5, upon the approval of a majority of the registered voters of a county voting upon the question, the board of county commissioners in each county may levy a separate tax pursuant to the provisions and subject to the limitations of subsections 1 and 2 of NRS 387.3285. *The question submitted to the registered voters must include the period during which the tax will be levied. The period may not exceed 20 years.*

2. Money raised pursuant to this section must be deposited in the county treasury to the credit of the fund for capital projects and must be maintained in a separate budgetary account for the replacement of capital assets. All interest and income earned on the money in the account must be credited to the account. Except as otherwise provided in subsection 3, money in the account must only be expended for the renovation or replacement of depreciating capital assets of the county school district.

3. Money raised pursuant to this section may be expended for the construction of new buildings for schools to accommodate community growth if the expenditure is approved by a majority of the registered voters of the county voting upon the question. An expenditure proposed pursuant to the provisions of this subsection must be submitted as a separate question to the voters on the ballot at a primary, general or special election.

4. The replacement value of the capital assets of a county school district must be determined by the board of trustees of the county school district before any property tax is levied pursuant to subsection 1. The replacement value may be redetermined before July 1 of each year to become effective for the purposes of this section on the first day of the next fiscal year.

5. The property tax authorized in subsection 1 may not be imposed or collected if the account for the replacement of capital assets contains revenue in an amount equal to or more than 30 percent of the replacement value of the capital assets of the county school district.

Sec. 3. NRS 350.001 is hereby amended to read as follows:

350.001 As used in NRS 350.002 to 350.006, inclusive, unless the context otherwise requires:

1. "Commission" means the general obligation bond commission created pursuant to NRS 350.002.

2. "General obligation debt" means debt which is legally payable from general revenues, as a primary or secondary source of repayment, and is backed by the full faith and credit of a governmental entity. The term includes debt represented by local government securities issued pursuant to this chapter and debt created for short-term financing pursuant to NRS 354.430 to 354.460, inclusive.

3. "Special elective tax" means a tax imposed pursuant to NRS 354.59817, 354.5982, 387.197, 387.3285 or 387.3287.

