

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

**LCB File No. R027-03**

Effective December 16, 2003

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

AUTHORITY: §1, NRS 350.009 and 350.091; §§2 and 3, NRS 350.009.

**Section 1.** Chapter 350 of NAC is hereby amended by adding thereto a new section to read as follows:

*1. If a local government finances assets with a medium-term obligation or an installment-purchase agreement having a term of more than 5 years, the local government shall calculate the weighted average useful life of the assets for the purpose of complying with the provisions of subsection 4 of NRS 350.091.*

*2. To determine the useful life of the assets, the local government may use:*

*(a) Publication 946 of the Internal Revenue Service entitled “How to Depreciate Property,” which may be obtained free of charge on the Internet from the website of the Internal Revenue Service at <<http://www.irs.gov/>>; or*

*(b) Any other manual or source of information that provides useful life if the local government, in the resolution adopted pursuant to NRS 350.087 authorizing the medium-term obligation or installment-purchase agreement, makes a finding that the weighted average term of the medium-term obligation or installment-purchase agreement will not exceed the estimated weighted average useful life of the assets being financed with the medium-term obligation or installment-purchase agreement. If the Executive Director of the Department of*

*Taxation determines that the finding by the local government is unreasonable or arbitrary, he may disapprove the resolution pursuant to NRS 350.089.*

**Sec. 2.** NAC 350.010 is hereby amended to read as follows:

350.010 1. The statement and report which is required by NRS ~~350.0035~~ **350.013** must include:

(a) A brief narrative which describes each type of indebtedness used or contemplated for use by the governing body or board;

(b) A schedule which sets forth:

(1) The contemplated date of the sale and the amount of any bonds which have been approved by election but not yet sold;

(2) The contemplated date of an election or other authorization and the amount of any bonds which are contemplated to be issued before the end of the fiscal year following the date of the schedule; and

(3) The amount of any other debts, such as mortgages or capital leases, which the governing body or board contemplates incurring before the end of the fiscal year following the date of the schedule;

(c) A schedule which sets forth, on a form provided by the Department of Taxation, the amount of general obligation debt of the political subdivision or general improvement district;

(d) A schedule which sets forth, on a form provided by the Department of Taxation, the total amount of indebtedness of the political subdivision or general improvement district;

(e) A schedule which sets forth, on a form provided by the Department of Taxation, the amount of money required to satisfy the indebtedness of the political subdivision or general

improvement district for the 5 years immediately following the date of the statement or report;  
and

(f) A schedule which sets forth, on a form provided by the Department of Taxation, the amount of money required to satisfy each debt of the political subdivision or general improvement district for each year until the debt is retired.

2. The submission to the Department of Taxation before July 1 of a copy of the statement and report submitted for the same year to a ~~general obligation bond~~ *debt management* commission pursuant to NRS ~~350.0035~~ *350.013* fulfills the requirements set forth in subsection 1 of NRS 354.6025.

3. For the purposes of this section, “indebtedness” includes a debt which is:

(a) Legally payable from general revenues and is backed by the full faith and credit of a governmental unit;

(b) Represented by securities of a local government issued pursuant to chapter 350 of NRS;

(c) ~~Created for~~ A medium-term ~~financing~~ *obligation created* pursuant to NRS ~~350.085~~ *350.087* to 350.095, inclusive; ~~and~~ *or*

(d) Represented by revenue bonds of the governmental unit.

**Sec. 3.** NAC 350.150 is hereby amended to read as follows:

350.150 1. The governing body of a local government may obtain a temporary interfund loan if:

(a) ~~The governing body states by resolution that the loan will not in any way have an adverse or deleterious effect upon the fund from which the money will be obtained to make the loan;~~

~~—(b) The loan is not contrary to any regulation, agreement, ordinance, statute, or other related requirement;~~

~~—(c)~~ Any money for the loan which is obtained from the proceeds from the sale of a bond is used only for the purposes set forth in the bond ordinances;

~~[(d)] (b)~~ The loan is not made from any debt service fund or from any fund established or maintained as a fund dedicated to the payment of bonded debt and interest;

~~[(e)] (c)~~ The resolution authorizing the loan specifies whether interest will be charged and the rate thereof, if any;

~~[(f)] (d)~~ It is agreed that the loan must be repaid within 12 months following the month in which the loan was made, unless the requirements for incurring a medium-term obligation have been met;

~~[(g)] (e)~~ A copy of the resolution authorizing the loan is filed with the Department of Taxation; and

~~[(h)] (f)~~ The governing body agrees to notify the Department of Taxation when the loan has been repaid.

2. If the resolution authorizing a temporary interfund loan does not specify whether interest will be charged as required pursuant to paragraph ~~[(e)] (c)~~ of subsection 1, no interest may be charged.

3. As used in this section, “temporary interfund loan” means borrowing money for a short term from a fund to meet an immediate obligation of another fund in advance of receipt by the borrowing fund of sufficient revenues from regular sources.

**NOTICE OF ADOPTION OF PROPOSED REGULATION**  
**LCB File No. R027-03**

The Committee on Local Government Finance adopted permanent regulations on September 26, 2003, pertaining to Chapter 350 of the Nevada Administrative Code, LCB File No. R027-03, Calculation of Weighted Average Useful Life of Assets, as amended, and other administrative provisions in Chapter 350.

**Notice date:** 8/26/2003  
**Hearing date:** 9/26/2003

**Date of adoption by agency:** 9/26/2003  
**Filing date:** 12/16/2003

**INFORMATIONAL STATEMENT**

**1. A description of how public comment was solicited, a summary of public response, and an explanation how other interested persons may obtain a copy of the summary.**

The Department of Taxation, as staff to the Nevada Tax Commission, solicited comment from the public by sending notices of workshops and hearings by electronic or regular mail as follows:

<u>Date of Notice</u>	<u>Workshop/Hearing</u>	<u>Date</u>	<u># Notified</u>	<u>#Representing Bus.</u>
8/26/03	Workshop	9/26/03	466	145
8/26/03	Hearing	9/26/03	466	145

The mailing list included the interested parties list maintained by the Department, as well as officials of local jurisdictions subject to these regulations.

One written comment was received addressing new proposed language on weighted average useful lives of assets. A copy of the audio taped comments or the record of proceedings may be obtained by calling the Nevada Department of Taxation at (775) 687-4841 or by writing to the Department of Taxation, 1550 East College Parkway, Carson City, Nevada 89706, or by e-mailing the Department at mmjacobs@tax.state.nv.us.

**2. The number persons who:**

**(a) Attended each hearing: Workshop:** Eleven members of the committee attended; 18 interested parties attended. **Hearing on adoption:** Eleven members of the committee attended; 18 interested parties attended.

**(b) Testified at each hearing: Workshop:** Six testified at the workshop held September 26, 2003; **Hearing:** one testified at the hearing held September 26, 2003.

(c) **Submitted to the agency written comments:** Written comments were received from John O. Swendseid, bond counsel, from Swendseid and Stern.

**3. A description of how comment was solicited from affected businesses, a summary of their response, and an explanation how other interested persons may obtain a copy of the summary.**

The regulations present no reasonably foreseeable or anticipated adverse economic effects to businesses or to the general public, and none could be quantified. Nevertheless, of the 466 notices sent, approximately 145 went to individuals or associations representing business.

The only response came from Swendseid and Stern, Bond Counsel. The language recommended by Mr. Swendseid was adopted by the Committee.

A copy of the written comments may be obtained by calling the Nevada Department of Taxation at (775) 687-4841 or by writing to the Committee on Local Government Finance, c/o Department of Taxation, 1550 East College Parkway, Carson City, Nevada 89706, or by e-mailing the Department at mmjacobs@tax.state.nv.us

**4. If the regulation was adopted without changing any part of the proposed regulation, a summary of the reasons for adopting the regulation without change.**

The regulation as reviewed by the LCB was adopted by the Committee on Local Government Finance on September 26, 2003 with one change to Part A (Section 2) regarding the sources to be used to identify the useful life of assets. The regulations as amended address the concerns of bond counsel that the Department may withhold approval of the medium term obligation if it finds the weighted average useful life assigned by the governing bodies is unreasonable or arbitrary.

**5. The estimated economic effect of the adopted regulation on the businesses which it is to regulate and on the public. These must be stated separately, and each case must include:**

**(a) Both adverse and beneficial effects; and**

The proposed regulations present no reasonably foreseeable or anticipated adverse economic effects to businesses or to the general public. It is anticipated the regulations promote a reasonable and satisfactory process for approving medium-term obligations requested by local governments.

**(b) Both immediate and long-term effects.**

The proposed regulations present no reasonably foreseeable or anticipated immediate or long-term economic effects to businesses or to the general public.

**6. The estimated cost to the agency for enforcement of the adopted regulation.**

The Department anticipates little, if any, additional cost to administer the regulations.

**7. A description of any regulations of other state or government agencies which the proposed regulation overlaps or duplicates and a statement explaining why the duplication or overlapping is necessary. If the regulation overlaps or duplicates a federal regulation, the name of the regulating federal agency.**

There are no other state or government agency regulations that the proposed amendments duplicate.

**8. If the regulation includes provisions that are more stringent than a federal regulation which regulates the same activity, a summary of such provisions.**

There are no federal regulations regarding the Local Government Budget Act with which these regulations comply.

**9. If the regulation provides a new fee or increases an existing fee, the total annual amount the agency expects to collect and the manner in which the money will be used.**

These regulations do not provide or involve a new fee; therefore there is no total annual amount the Department or the Committee expect to collect or use.