

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

LCB File No. R053-16

April 14, 2016

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

AUTHORITY: §1, NRS 354.107.

A REGULATION relating to local government finance; excluding certain money from collective bargaining negotiations and from consideration in determining the ability of local governments to pay compensation and monetary benefits; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

Existing law provides that for a general fund of a local government other than a school district, a budgeted ending fund balance of not more than 25 percent of the total budgeted expenditures, less capital outlay, is not subject to collective bargaining negotiations and cannot be considered by a fact finder or arbitrator in determining ability to pay compensation or monetary benefits. (NRS 354.6241, as amended by section 2 of Senate Bill No. 168, chapter 490, Statutes of Nevada 2015, at page 2967) Existing regulations provide that for a general fund of a local government or certain special revenue funds of a local government, a budgeted ending fund balance of not more than 8.3 percent of the total budgeted expenditures, less capital outlay, is not subject to collective bargaining negotiations. (NAC 354.660) This regulation: (1) incorporates statutory language to provide that for a local government other than a school district, a budgeted ending fund balance of not more than 25 percent of the total budgeted expenditures, less capital outlay, for a general fund, is not subject to negotiations and cannot be considered by a fact finder or arbitrator as ability to pay; and (2) provides that a budgeted ending fund balance of not more than 8.3 percent of the total budgeted expenditures, less capital outlay for a school district general fund or certain special revenue funds of a local government are not subject to collective bargaining negotiations and cannot be considered by a fact finder or arbitrator as ability to pay.

Section 1. NAC 354.660 is hereby amended to read as follows:

354.660 1. *Except as otherwise provided in this section, for the purposes of chapter 288 of NRS, a budgeted ending fund balance of not more than 25 percent of the total budgeted expenditures, less capital outlay, for a general fund:*

(a) Is not subject to negotiations with an employee organization; and

(b) Must not be considered by a fact finder or arbitrator in determining the financial ability of the local government to pay compensation or monetary benefits.

2. A budgeted ending fund balance of not more than 8.3 percent of the total budgeted expenditures, less capital outlay, for a *school district* general *fund* or *a local government* special revenue fund which receives revenue from property taxes or the Local Government Tax Distribution Account ~~††~~ :

(a) Is not subject to negotiations with other local governments or employee organizations ††; and

(b) Must not be considered by a fact finder or arbitrator in determining the financial ability of the local government to pay compensation or monetary benefits.



STATE OF NEVADA
DEPARTMENT OF TAXATION

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Chair, Nevada Tax Commission
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POSTED – May 5, 2016

NOTICE OF PUBLIC HEARING
FOR THE ADOPTION OF PERMANENT REGULATION OF THE
COMMITTEE ON LOCAL GOVERNMENT FINANCE

The Committee on Local Government Finance (CLGF) will hold a public hearing on June 7, 2016 commencing at 9:00 a.m. at the Nevada State Legislative Building, 401 South Carson Street, Room 2135, Carson City, Nevada, Grant Sawyer State Office Building, 555 East Washington Avenue, Fourth Floor, Room 4401, Las Vegas, Nevada. CLGF will receive testimony from all interested persons and consider and take action on proposed permanent adoption of amendments, additions and deletions to the Nevada Administrative Code as identified in LCB File No. R053-16. If no person who is directly affected by the proposed action appears to request time to make an oral presentation, CLGF may proceed immediately to act upon any written submissions:

1. The Need for and Purpose of the Proposed Permanent Regulations.

The need and purpose of the proposed permanent regulation, LCB File No. R053-16, is to amend NAC 354.660, revising provisions relating to the amount of budgeted ending fund balance not subject to negotiations with other local governments or employee organizations. The amendments incorporate changes enacted by Senate Bill No. 168, Chapter 490, Statutes of Nevada 2015 at page 2967.

2. Terms or Substance of the Proposed Permanent Regulation or Description of the Subjects and Issues Involved.

First: This regulation incorporates statutory language to provide that for the general fund only of a local government other than a school district, a budgeted ending fund balance of not more than 25 percent of the total budgeted expenditures, less capital outlay, is not subject to negotiations and cannot be considered by a fact finder or arbitrator as ability to pay.

Second: This regulation provides that a budgeted ending fund balance of not more than 8.3 percent of the total budgeted expenditures, less capital outlay for a school district general fund or certain special revenue funds of a local government are not subject to collective bargaining negotiations and cannot be considered by a fact finder or arbitrator as ability to pay.

3. Estimated Economic Effect of the Proposed Permanent Regulation on the Business which it is to Regulate, and the Public.

A. Adverse and Beneficial Effects.

The proposed permanent regulation presents no reasonably foreseeable or anticipated adverse economic effects to businesses or to the general public. This regulation has the beneficial effect of clarifying and incorporating changes made by the passage of SB 168 (2015) so that local governments may effectively implement the changes in budgets. The regulation does not directly affect private businesses.

B. Immediate and Long-Term Effects.

The immediate and long-term effects will be to improve efficiency and reduce costs associated with the administration of budgeting functions of local governments.

4. The Methods Used by the Agency in Determining the Impact on a Small Business.

The Department mailed or emailed a Small Business Impact Statement and Questionnaire on prior to the workshop held on March 7, 2016 to persons and businesses on the Department's interested parties list. No responses were received. Because of the nature of the regulation, the Department believes there is no impact on a small business.

5. Estimated Cost to Agency for Enforcement of the Proposed Permanent Regulation.

The estimated cost to the Department of Taxation is minimal, as the changes will be incorporated into existing procedures for review of local government budgets.

6. Regulations of Other State or Local Governmental Agencies which the Proposed Permanent Regulation Overlaps or Duplicates and the Necessity Therefore.

The proposed permanent regulation does not overlap or duplicate regulations of other state or local governmental agencies.

7. Establishment of New Fee or Existing Fee Increase.

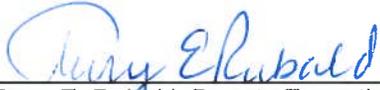
None.

Persons wishing to comment on the proposed action of the Committee on Local Government Finance may appear at the above scheduled public hearing or may address their comments, data, views, or arguments, in written form, to the Department of Taxation, 1550 College Parkway, Suite 115, Carson City, Nevada 89706. **Written submissions must be received at least two weeks prior to the above scheduled public hearing.**

A copy of this notice and the proposed permanent regulations to be adopted and amended will be on file at the Nevada State Library, 100 Stewart Street, Carson City, Nevada, for inspection by members of the public during business hours. Additional copies of the notice and the proposed permanent regulations to be adopted and amended will be available at the Department of Taxation, at the addresses listed below and on the Department of Taxation website, <http://tax.nv.gov/> and in all counties in which an office of the Department of Taxation is not maintained, at the main public library, for inspection and copying by members of the public during business hours. The text of the proposed permanent regulations will include the entire text of any section of the Nevada Administrative Code, which is proposed for amendment or repeal. Copies will be mailed to members of the public upon request. A reasonable fee may be charged for copies if deemed necessary.

Under NRS 233B.064(2), when adopting any regulation, the Agency, if requested to do so by an interested person, either prior to adoption or within 30 days thereafter, shall issue a concise statement of the principal reasons for and against its adoption and incorporation, and its reason for overruling the consideration urged against its adoption.

Marvin Leavitt, Chairman



By Terry E. Rubald, Deputy Executive Director
Department of Taxation
May 5, 2016

Note 1: We are pleased to make reasonable accommodations for members of the public who are disabled and wish to attend the workshop. If special arrangements for the meeting are necessary, please notify the Department of Taxation in writing, at 1550 E. College Parkway, Carson City Nevada, 89706 or call (775) 684-2180 prior to the meeting.

Note 2: Materials and files for items on this notice are maintained in the offices of the Department of Taxation located in Carson City, Nevada. Requests for copies of materials and files for items on this notice may be made to:
Terry Rubald, Deputy Executive Director, Department of Taxation, 1550 College Parkway, Suite 115, Carson City, NV 89706

Note 3: Notice of this meeting was posted in the following Carson City, Nevada locations: Department of Taxation, 1550 E. College Parkway; Legislative Building, 401 South Carson Street; and Nevada State Library, 100 Stewart Street. Notice of this meeting was emailed for posting to the following locations: Department of Taxation, 4600 Kietzke Lane, Building L, Suite 235, Reno; Department of Taxation, 2550 Paseo Verde, Suite 180, Henderson; Department of Taxation, 555 E. Washington Street; Las Vegas; Clark County Office, 500 South Grand Central Parkway, Las Vegas. Notice of this meeting was posted on the Internet through the Department of Taxation website <http://tax.nv.gov/> and on the Internet website maintained by the Legislative Counsel Bureau <http://leg.state.nv.us/> and the Department of Administration website <https://notice.nv.gov/>.

**Nevada Department of Taxation
Local Government Services Division**

**Small Business Impact Statement and Questionnaire
(Response Requested by March 7, 2016)**

Proposed Regulation Amending NAC 354.660

The proposed regulation amends NAC 354.660, revising provisions relating to the amount of budgeted ending fund balance not subject to negotiations with other local governments or employee organizations. A copy of the draft regulation is enclosed.

The Department's preliminary analysis indicates there is no direct and significant economic burden on small businesses based on the contents of the proposed regulation. Nevertheless, the Department solicits comment from small businesses as to whether the regulation poses a direct and significant economic burden on the business or whether the business anticipates the regulation would directly restrict the formation, operation, or expansion of the small business. Your input is needed to have a complete analysis of the economic effect of the regulation on small business.

Please answer each of the questions that apply and add any qualifying remarks that may help us to understand your position. Mail, FAX or Email your completed form by March 7, 2016:

Terry E. Rubald
Deputy Executive Director
Nevada Department of Taxation
1550 College Parkway
Carson City, Nevada 89706
trubald@tax.state.nv.us
FAX: (775) 684-2020

Brief Description of Proposed Changes to the Regulation

This regulation was proposed to generally clarify and incorporate changes made by the passage of SB 168 (2015). NAC 354.660 as currently written provides that a budgeted ending fund balance of not more than 8.3 percent of the total budgeted expenditures, less capital outlay, for a general or special revenue fund is not subject to negotiations with other local governments or employee organizations. The proposed amendment provides an exception to this general rule for general funds of local governments other than school districts. General funds of local governments other than school districts may have a budgeted ending fund balance of not more than 25 percent of the total budgeted expenditures, less capital outlay subject to negotiations.

THANK YOU FOR YOUR TIME IN RESPONDING TO THIS QUESTIONNAIRE.

Small Business Impact Questionnaire Proposed Regulation Amending NAC 354.660

Part A. CONTACT INFORMATION

<i>NAME OF SMALL BUSINESS :</i>					
<i>NAME OF CONTACT PERSON</i>				<i>TITLE</i>	
<i>MAILING ADDRESS (STREET ADDRESS OR P.O. BOX)</i>				<i>EMAIL ADDRESS:</i>	
<i>CITY</i>	<i>STATE</i>	<i>ZIP CODE</i>	<i>DAYTIME PHONE</i> ()	<i>ALTERNATE PHONE</i> ()	<i>FAX NUMBER</i> ()

Part B. Is the business listed above a “small business”? Please check the appropriate box.

NRS 233B.0382 defines a small business as a business conducted for profit, which employs fewer than 150 full-time or part-time employees.

My business employs fewer than 150 full-time or part-time employees.

My business employs 150 or more full-time or part-time employees.

Part C. If your business employs fewer than 150 full-time or part-time employees, please answer the following questions:

1. Do you anticipate a specific proposed regulatory provision will have a direct and significant economic burden upon your business?

Yes No

If you checked the “yes” box, please list each regulatory provision (e.g., Section 2 amending NAC 354.660), and describe the direct and significant economic burden it will have on your business. Attach additional sheets if necessary.

2. Do you anticipate the proposed regulations will directly restrict the formation, operation or expansion of your small business? Yes No

If you checked the “yes” box, please list each regulatory provision (e.g., Section 2 amending NAC 354.660) , and describe the restriction it will have on your business. Attach additional sheets if necessary.

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

LCB File No.

Version 2, Presented to CLGF workshop on March 7, 2016

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

AUTHORITY: §§ 1-4, NRS 354.107(1)

A REGULATION relating to local government finance; revising provisions relating to the amount of budgeted ending fund balance not subject to negotiations with other local governments or employee organizations.

Section 1. NAC 354.660 is hereby amended as follows:

1. *For school districts and for all funds except the general fund of any other local government*, a budgeted ending fund balance of not more than 8.3 percent of the total budgeted expenditures, less capital outlay, for a general or special revenue fund which receives revenue from property taxes or the Local Government Tax Distribution Account is not subject to negotiations with other local governments or employee organizations.
2. *For any local government other than a school district, for the purposes of chapter 288 of NRS, a budgeted ending fund balance of not more than 25 percent of the total budgeted expenditures, less capital outlay for a general fund is not subject to negotiations with an employee organization.*



STATE OF NEVADA
DEPARTMENT OF TAXATION

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NOTICE OF WORKSHOP

To Solicit Comments on Proposed Regulations

To: To All Interested Parties

From: Terry Rubald, Deputy Executive Director, Department of Taxation

Date: February 19, 2016

Re: Workshop on Proposed Regulations to be adopted by the Committee on Local Government Finance

The Department of Taxation will hold a workshop on behalf of the Committee on Local Government Finance to receive input on proposed language changes to the Nevada Administrative Code Chapter 354. The proposed permanent regulation amends NAC 354.660 to include changes enacted in SB 168, which amended NRS 354.6241(3). NRS 354.6241(3) provides that for any local government other than a school district, for the purposes of Chapter 288 of NRS, a budgeted ending fund balance of not more than 25 percent of the total budgeted expenditures, less capital outlay, for a general fund is not subject to negotiations with an employee organization; and must not be considered by a fact finder or arbitrator in determining the financial ability of the local government to pay compensation or monetary benefits.

Date and Time of Meeting: March 7, 2016 10:00 a.m.

The workshop will be held at the following locations:

Place of Meeting:
Department of Taxation
Large Conference Room
1550 College Parkway
Carson City, Nevada

Video Conference To:
Department of Taxation
Training Room
2550 Paseo Verde, Suite 180
Henderson, Nevada

This meeting will also be part of a teleconference. Please call the Department at (775) 684-2100 for the teleconference number. Contact the Department at the Carson City address listed above, or Terry Rubald at (775) 684-2095 for questions about the workshop and for copies of materials that will be part of the record.

All interested parties will have the opportunity to present their ideas for suggested language at this workshop. The Department encourages you to provide your suggestions in writing. Although the Department requests interested parties submit written suggestions at least one week in advance so the ideas can be disseminated to others, written comments may be accepted at any time.

NOTE: We are pleased to make accommodations for members of the public who are disabled. Please notify the Department of Taxation in writing, at 1550 College Parkway, Carson City, Nevada, 89706 or call (775) 684-2100 prior to the meeting.

Notice of this meeting was posted in the following Carson City, Nevada location: Department of Taxation, 1550 College Parkway; Legislative Building, 401 South Carson Street; and Nevada State Library, 100 Stewart Street. **Notice of this meeting was emailed for posting to the following locations:** Department of Taxation, 4600 Kietzke Lane, Building L, Suite 235, Reno; Department of Taxation, 2550 Paseo Verde, Suite 180, Henderson; Department of Taxation, 555 E. Washington Street; Las Vegas; Clark County Office, 500 South Grand Central Parkway, Las Vegas. Notice of this meeting was also posted on the Internet through the Department of Taxation website at www.tax.nv.gov, on the Legislative website at www.leg.state.nv.us and on the Department of Administration website at <https://notice.nv.gov>.

DRAFT
Minutes of the Subcommittee Meeting
COMMITTEE ON LOCAL GOVERNMENT FINANCE
ON AMENDING NAC 354.660
March 7, 2016
10:00 a.m.

The meeting was held at Department of Taxation, 1550 College Parkway, Carson City, Nevada and video-conferenced to the Nevada Department of Taxation located at 2550 Paseo Verde, Suite 180, Henderson, Nevada. This meeting was also part of a teleconference.

SUBCOMMITTEE MEMBERS PRESENT:

Mary Walker, Chairman
John Sherman
Beth Kohn-Cole

MEMBERS OF THE PUBLIC PRESENT:

Name	Representing
Ron Dreher	Peace Officers' Research Association of Nevada

COMMITTEE MEMBERS ABSENT:

Andrew Clinger

COUNSEL TO COMMITTEE

Dawn Buoncristiani

DEPARTMENT OF TAXATION STAFF PRESENT:

Terry Rubald
Kelly Langley
Christina Griffith
Sue Gilbert

Action may be taken on the items indicated in **BOLD**:

1. Roll Call and Opening Remarks

Chairman Walker called the meeting to order at 10:10 a.m. Christina Griffith, Administrative Assistant IV, Department of Taxation, took roll call. All Subcommittee members were present except for Andrew Clinger and there was a quorum.

2. Public Comment

There was no public comment.

3. For Possible Action: RECESS FOR ATTENDANCE AT REGULATION WORKSHOP
The Department of Taxation will hold a workshop on behalf of the Committee on Local Government Finance to receive input on proposed language changes to the Nevada Administrative Code Chapter 354, as follows:

Proposed regulation relating to local government finance; amending NAC 354.660 by revising provisions relating to the amount of budgeted ending fund balance not subject to negotiations with other local governments or employee organizations and to conform to changes made to NRS 354.6241(3) by SB 168(2015).

Terry Rubald, Deputy Executive Director, Department of Taxation, stated the necessity to discuss the amending of NAC 354.660 in order to conform to the changes that were enacted by SB 168. There was a previous workshop on this amendment during the full Commission on Local Government Finance meeting on January 26, 2016. The idea is to expand the language so you do not have to flip back and forth between the regulation and the statute. It has not been submitted to LCB yet.

Section one; subparagraph one is basically a direct quote from a portion of section two in SB 168. This leads into the original language about the 8.3%. It does have a new limitation for the school district general fund or local government special revenue.

Beth Kohn-Cole, recommended adding a comma after the words, "capital outlay" to clarify what fund it applies to and also so that it will conform to SB168, or add a colon after "general fund" to the SB 168 language.

Chairman Walker asked John Sherman if he had anything to add.

John Sherman stated that in Sub Section two, it looked like there's an extra comma before the stricken language.

Chairman Walker identified the extra comma as a typo and thinks that adding a comma in Sub Section one and eliminating the coma in Sub Section two is fine.

Ron Dreher, representing the Peace Officers Research Association of Nevada, said after reviewing and listening to Ms. Kohn-Cole's comments, it is consistent of what the laws are.

4. For Possible Action: RECONVENE REGULAR MEETING

Chairman Walker reconvened the regular meeting.

5. For Possible Action: DISCUSSION AND CONSIDERATION OF RECOMMENDATIONS REGARDING REGULATORY AMENDMENTS TO NAC 354.660

Mr. Sherman made a motion to approve the amendments to the regulations with the noted changes. Ms. Kohn-Cole seconded the motion which passed unanimously.

6. For Possible Action: SCHEDULE DATE AND REVIEW AGENDA TOPICS FOR THE NEXT MEETING

There are no further meetings at this time.

7. Public Comment

There was no public comment.

8. For Possible Action: ADJOURNMENT

The meeting adjourned at 10:17 a.m.

DRAFT



STATE OF NEVADA
DEPARTMENT OF TAXATION

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NOTICE OF WORKSHOP

To Solicit Comments on Proposed Regulations

To: To All Interested Parties

From: Terry Rubald, Deputy Executive Director, Department of Taxation

Date: January 11, 2016

Re: Workshop on Proposed Regulations to be adopted by the Committee on Local Government Finance

The Department of Taxation will hold a workshop on behalf of the Committee on Local Government Finance to receive input on proposed language changes to the Nevada Administrative Code Chapter 354. The proposed permanent regulation amends NAC 354.660 to include a reference to NRS 354.6241(3). NRS 354.6241(3) provides that for any local government other than a school district, for the purposes of Chapter 288 of NRS, a budgeted ending fund balance of not more than 25 percent of the total budgeted expenditures, less capital outlay, for a general fund is not subject to negotiations with an employee organization; and must not be considered by a fact finder or arbitrator in determining the financial ability of the local government to pay compensation or monetary benefits.

Date and Time of Meeting: January 26, 2016 9:00 a.m.

The workshop will be held at the following locations:

Place of Meeting:
Gaming Control Board
Board Room
1919 College Parkway
Carson City, Nevada

Video Conference To:
Gaming Control Board
Grant Sawyer State Office Building
555 East Washington Avenue,
Second Floor, Room 2450
Las Vegas, Nevada

This meeting will also be part of a teleconference. Please call the Department at (775) 684-2100 for the teleconference number. Contact the Department at the Carson City address listed above, or Terry Rubald at (775) 684-2095 for questions about the workshop and for copies of materials that will be part of the record.

All interested parties will have the opportunity to present their ideas for suggested language at this workshop. The Department encourages you to provide your suggestions in writing. Although the Department requests interested parties submit written suggestions at least one week in advance so the ideas can be disseminated to others, written comments may be accepted at any time.

NOTE: We are pleased to make accommodations for members of the public who are disabled. Please notify the Department of Taxation in writing, at 1550 College Parkway, Carson City, Nevada, 89706 or call (775) 684-2100 prior to the meeting.

Notice of this meeting was posted in the following Carson City, Nevada location: Department of Taxation, 1550 College Parkway; Legislative Building, 401 South Carson Street; and Nevada State Library, 100 Stewart Street. Notice of this meeting was emailed for posting to the following locations: Department of Taxation, 4600 Kietzke Lane, Building L, Suite 235, Reno; Department of Taxation, 2550 Paseo Verde, Suite 180, Henderson; Department of Taxation, 555 E. Washington Street; Las Vegas; Clark County Office, 500 South Grand Central Parkway, Las Vegas. Notice of this meeting was also posted on the Internet through the Department of Taxation website at www.tax.nv.gov, on the Legislative website at www.leg.state.nv.us and on the Department of Administration website at <https://notice.nv.gov/>.

DRAFT
Minutes of the Meeting
COMMITTEE ON LOCAL GOVERNMENT FINANCE
January 26, 2016
9:00 a.m.

The meeting was held at the Nevada Gaming Control Board located at 1919 College Parkway, Board Room #100, Carson City, Nevada, and video-conferenced to the Nevada Gaming Control Board located at 555 East Washington Avenue, Room 2450, Las Vegas, Nevada.

COMMITTEE MEMBERS PRESENT:

Marvin Leavitt, Chairman
John Sherman, Vice Chairman
Andrew Clinger
Beth Kohn-Cole
Marty Johnson
Jim McIntosh
Jeff Zander
Jessica Colvin
Mark Vincent
Mary Walker

COMMITTEE MEMBERS ABSENT:

Alan Kalt

COUNSEL TO COMMITTEE

Dawn Buoncristiani

DEPT OF TAXATION STAFF PRESENT:

Terry Rubald
Kelly Langley
Heidi Rose
Penny Hampton
Susan Lewis
Bessie Wooldridge
Janie Ware
Christina Griffith

MEMBERS OF THE PUBLIC PRESENT:

Name	Representing
Darren Adair	City of North Las Vegas
Debbie Barton	City of North Las Vegas
Rhonda Garlive	City of North Las Vegas
Qiong Liu	City of North Las Vegas
Deborah Barton	City of North Las Vegas
Mark Mathers	Washoe County
Brenda Mathers	Washoe County
Tammi Davis	Washoe County
Jeff Church	RenoPublicSafety.org
Renny Ashleman	Las Vegas Valley Water District
Wayne Carlson	PACT
Anna Thornley	Nevada Taxpayers Association
Cindy Creighton	Nevada Taxpayers Association
Carole Vilardo	Nevada Taxpayers Association
Ron Dreher	P.O.R.A.N.
Lorinda Wichman	Nye County
Frank Carbone	Nye County
James Eason	Nye County
Byron Kunzi	Nye County
Tim Sutton	Nye County
Kim Lara	Nye County
Pam Webster	Nye County
Dwight Lilly	Member of the Public
Beby Lilly	Member of the Public
Eunette Gentry	KPVM TV
Herb Melvoin	KPVM TV
Karen Scott	Esmeralda County
Justin Harrison	Las Vegas Metro Chamber
Rusty McAllister	Professional Firefighter
Gabriella Carr	Humboldt County
Fred James	Las Vegas Library District
Jeffrey Share	Clark County
Yolanda King	Clark County
Tom Baker	Henderson
Barbara Miller	Bank of America
Chris Mulkerns	Tonopah

Item 1. Roll Call and Opening Remarks

Chairman Leavitt called the meeting to order at 9:00 a.m. Roll call was taken and it was determined that a quorum for the Committee on Local Government Finance was present.

Jessica Colvin, Clark County Controller, was introduced and welcomed as the newest member of the Board.

Item 2. Public Comment

There was no public comment in Carson City, Las Vegas or on the teleconference.

Item 3. RECESS FOR ATTENDANCE AT REGULATION WORKSHOP

The Department of Taxation will hold a workshop on behalf of the Committee on Local Government Finance to receive input on proposed language changes to the Nevada Administrative Code Chapter 354, as follows:

Proposed regulation relating to local government finance; amending NAC 354.660 by revising provisions relating to the amount of budgeted ending fund balance not subject to negotiations with other local governments or employee organizations and to conform to changes made to NRS 354.6241(3) by SB 168(2015)

Terry Rubald, Deputy Executive Director with the Department of Taxation, stated the Committee on Local Government Finance (CLGF) had discussed whether there was any interest in amending NAC 354.660 at its meeting last October. It was decided there would be a small change made to conform the NAC to the changes enacted this last session with SB 168.

Section 2; subparagraph 3 of SB 168 states "For any local government other than a school district, for the purposes of chapter 288 of NRS, a budgeted ending fund balance of not more than 25 percent of the total budgeted expenditures, less capital outlay, for a general fund: (a) is not subject to negotiations with an employee organization; and (b) must not be considered by a fact finder or arbitrator in determining the financial ability of the local government to pay compensation or monetary benefits."

NAC 354.660 currently says the ending fund balance not subject to negotiations is 8.3% of budgeted expenditures, less capital outlay. It is not entirely consistent with the 25% of budgeted expenditures, less capital outlay, for local governments other than school districts.

Rather than rewrite the entire paragraph, the department is recommending the phrase, "except as otherwise provided in NRS 354.6241; subsection 3", which is the NRS that was amended by SB 168 being added. This way, the 8.3% remains for all situations except for the one changed by SB 168.

Mr. Sherman noted when he first started looking at the proposed amendment to the regulation, he found it necessary to look up SB 168, look at the bill, and then crosswalk the language in SB 168 to the regulation in the proposed amendments. His personal preference would be to have the amendment more directly incorporate the requirements of SB 168 regarding fund balance so it is very clear.

Ms. Walker specified SB 168 was a long and hard fought battle that was completed in the last few days of the session. They tried to change it regulatorily to increase the 8.3% and had an atom bomb go off with the unions.

The language in SB 168 is very clear because it only pertains to the general fund and those local governments except for school districts. The school districts were left out of the fund balance portion because they are already guaranteed through the school distributive account. They do not need a large fund balance because

they have the state, which helps them keep financially sound in difficult situations, and are held harmless when there are declining revenues. Local governments do not.

Perhaps one of the things to alleviate Mr. Sherman's concern is to have a letter from the Department of Taxation that could explain this in more layman's terms and not in legal terms.

Mr. Clinger agreed with Mr. Sherman's comments. Due to the provisions that are now in NRS with this regulation, there really is no practical application because you are going to go back to what NRS states. This section in NAC was obviously put in place when you did not have those provisions in NRS. It is confusing to leave the current regulation the way it is now that you have a statute that says something different.

Ms. Kohn-Cole said it is important to point out this is the budgeted ending fund balance, not the ending fund balance. Referencing it this way is simple and makes sense. Both the NRS and the regulation are available to the general public. You have to watch how it gets reworded to ensure it is not mixing anything up. You cannot get rid of it because the school districts are still at that 8.3%.

She recommended leaving it as is. The concern with the union members is they don't like the 8.3% and 25%, but it is the law. By referencing it, it is what exists.

Mr. Vincent stated he would support any language that would make the NAC clearer upon first reading. It only takes a few more words to do that.

Mr. Sherman stated a letter from the Department of Taxation would be important in the initial stages to help a reader in trying to apply that or they end up in some kind of arbitration. The letter will eventually go into history whereas this regulation stays. He feels inclined to try to craft a regulation that is clearer.

Mark Mathers, Washoe County Budget Manager, agreed with Mr. Sherman's and Mr. Clinger's comments that this creates some confusion. He inquired as to the practicality of having two different tiers of fund balance standards. How would it be workable for a county, a fact finder, or an arbitrator so you will have a 25% general fund balance, 8.3% for special revenue funds that receive property taxes, and possibly a third tier. You will not have any standard for special revenue funds that do not receive property taxes.

Chairman Leavitt asked Mr. Mathers if he is suggesting the existing regulation be amended to agree with the new statute so every fund would be subject to the same provisions as SB 168.

Mr. Mathers said that is one public policy option available. There are other public policy options. Having two or three different tiers interjects some confusion into how do we apply it.

Ms. Walker is opposed to expand the 8.3% on the other funds or the school district because that is not the intent. The agreement with the school district was 25% for the other local governments and their general funds. The school districts would retain the 8.3% so they would not see a diminishment of the protection they have with the one month ending fund balance.

Mr. Sherman agreed it would be a prudent move to take out what is currently in NAC 354.660. That would cause more complications than it would potentially solve.

Mr. Clinger clarified he was not suggesting this be applied to school districts or to other funds. There needs to be clarification though because parts of this NAC as proposed right now are in conflict with the NRS. Clarifying the language could clean it up so it comports more with the NRS.

Ron Dreher, representing the Peace Officers Research Association of Nevada, commented it needs to be clarified better than what it is because this one little change will probably be misinterpreted a lot when they go to fact-finding at arbitration.

Rusty McAllister, representing the Professional Firefighters of Nevada, concurred with Ms. Walker. There were no discussions during the legislative session in the moving forward of this bill with regards to changing the dialogue or changing the numbers for all the funds. The number was purely a 25% ending fund balance for the general fund to get rid of all of the budgeted amounts of the other funds.

As for removing the language in 354.660, the word "budgeted" in the language "budgeted ending fund balance" is an important word and should not be removed from your current NAC.

By clarifying the language, you get rid of a lot of the gray area and make it a lot clearer for an arbitrator or a fact finder to say this is what the statute says and this is what the NAC says.

Ms. Walker requested Mr. Dreher and Mr. McAllister to be involved if additional changes are going to be made just to be sure the intent of the law is not being changed.

Ms. Colvin asked if there needs to be any clarification if this is intended to be just unrestricted fund balance.

Ms. Kohn-Cole's answer was no. That would change the whole intent.

Chairman Leavitt suggested establishing a subcommittee.

Ms. Rubald said a subcommittee has already been established. Mary Walker is the chair and Mr. Clinger is on the subcommittee.

Ms. Walker offered to expand the subcommittee to include Ms. Kohn-Cole and Mr. Sherman.

Ms. Kohn-Cole and Mr. Sherman both agreed to be on the subcommittee.

Item 4. RECONVENE REGULAR MEETING

Chairman Leavitt closed the workshop and reconvened the regular meeting of the Committee on Local Government Finance.

There will be additional meetings with the subcommittee for NAC 354.660. Mr. Sherman and Ms. Kohn-Cole will be added to the subcommittee with the intent they will report back to the full committee any changes that they see fit in this particular proposed regulation.

Item 5. Adoption of Permanent Regulations, LCB File No. R078-15, Administration of Trust Funds
The regulation updates and clarifies existing provisions relating to the administration of trust funds for future retirement benefits of local government employees, including the nature of the trust fund for purposes of appointing qualified persons to a board of trustees; establishing certain circumstances in which the Committee on Local Government Finance ("CLGF") is required to approve an investment plan; and authorization of CLGF to waive the \$100,000,000 minimum market value upon application by a local government for good cause shown.

Ms. Rubald stated this hearing is to consider LCB File Number R078-15 and was properly noticed 30 days ago. The proposed regulations were the subject of a subcommittee meeting that was held on August 18 of last year, as well as a workshop that was held on October 27 during the last CLGF meeting.

The Department of Taxation also made a concerted effort to determine whether this regulation was likely to impose a direct and significant economic burden upon a small business or restrict the formation, operation or expansion of a small business. No comments were received from small businesses. These regulations only