

Minutes of the Subcommittee Meeting
COMMITTEE ON LOCAL GOVERNMENT FINANCE
January 12, 2017
9:00 a.m.

The meeting was held at the Department of Health and Human Services, 4150 Technology Way, Room 303, Carson City, Nevada, and video-conferenced to the Department of Health and Human Services, 4220 S. Maryland Pkwy, Suite 810, Bldg. D, Large Conference Room, Las Vegas, Nevada. This meeting was also part of a teleconference.

COMMITTEE MEMBERS PRESENT:

Marvin Leavitt, Chairman
John Sherman
Beth Kohn-Cole
Jessica Colvin
Marty Johnson
Alan Kalt
Tom Ciesynski
Mary Walker
Jeff Zander

COUNSEL TO COMMITTEE

Peter Keegan

DEPT OF TAXATION STAFF PRESENT:

Kelly Langley
Keri Gransbery
Susan Lewis
Penny Hampton
Heidi Rose
Michael Pelham
Christina Griffith

MEMBERS OF THE PUBLIC PRESENT:

Name	Representing
Chuck Callaway	Las Vegas Metro Police Dept.
Joni Prucnal	Las Vegas Metro Police Dept.
Dan McArthur	Independent Auditor, Nye Co.
Savannah Rucker	Nye County Comptroller
Tammi Davis	Washoe County Treasurer
Cliff Dobler	Incline Village Resident
Linda Newman	Incline Village Resident
Aaron Katz	Incline Village Resident
Arnold Knightly	Pahrump Valley Time
Danielle Drevdahl	Nye County
Anna Thornley	Nevada Taxpayers Association
Daniel Randles	Water Resources
Lorinda A. Wichman	Nye County Commissioner

ITEM 1. ROLL CALL AND OPENING REMARKS

Chairman Leavitt called the meeting to order at 9:05 a.m. Roll call was taken, Members Mary Walker and Alan Kalt were absent for roll call but arrived after.

Kelly Langley, with the Department of Taxation, advised the Committee that the vacant seats will soon be filled by their assigning agencies; she noted Members Mary Walker and Beth Kohn-Cole have been reappointed and she welcomed Tom Ciesynski as a new member.

Chairman Leavitt announced that Terry Rubald has retired. He commended her on being a dedicated employee of the State for many years. He added that she was a great help to this committee and he wanted to acknowledge how much they have appreciated her. He also stated that she was excellent at drawing regulations, many of which were adopted by this committee. In his opinion, she was an asset to the State of Nevada.

ITEM 2. PUBLIC COMMENT

Cliff Dobler, a resident of Incline Village, commented that he sent a memorandum to Ms. Rubald regarding the Guidance Letter issued in October 2015. He would like someone at the Department of Taxation take that over. He believes misstatements have been made in the example of a GID in that guidance letter. He stated the General Manager of IVGID is using that

example to sell the idea to the board members of IVGID. The memorandum was sent to Ms. Rubald on June 4th, again in July, and in September. He hasn't received a response and he'd like one. He asked whom, at the Department of Taxation, should he send this to. Ms. Langley offered him to send it to her.

He commented on a memorandum sent in by him and Linda Newman to the Department on December 7, 2016, titled *Sounding the Alarm on IVGID's Deceptive and Fraudulent Accounting Practices*. It was also sent to the IVGID Audit Committee, the IVGID Trustee, the Auditor, and the Committee on Local Government. It covered fictitious parcel owner discounts, misallocation of fictional parcel owner discounts, an unlawful cash transfer for the community services to the beach fund for \$1.5 million, and defrauding the community with improper accounting. They haven't received a response from anyone. He alleged the new CAFR for 2016 attempts to disguise the same transaction by changing the name of the footnote and the text, but doesn't change the continued perception of fraud. The residents of Incline Village request a response to the memorandums.

Linda Newman, a resident of Incline Village, noted she was made aware this morning that the correspondence from Dick Warren and discussion on IVGID's 2016 CAFR have been removed from the agenda. She noted the correspondence submitted by Mr. Warren was also from her as well as Mr. Dobler. She wants to make sure the allegations are thoroughly investigated by the next meeting.

Aaron Katz, a resident of Incline Village, objected to the meeting going forward due to alleged violations of the open meeting law. Without waving any of his objections, he made statements regarding Agenda Item 5. He alleged IVGID is guilty of making a number of inter-fund transfers and hasn't notified the Department. He claims IVGID is not actually a local government, but a series of commercial, for profit enterprises run by an elected senior management. They have a Board of Trustees, but he claims staff has schooled the members so their purpose is to create policy; he added that NRS 318 contradicts that. He claims the Board adopted staff policies that advocate authority back to staff. For decades, IVGID survived from inter-fund transfers from enterprise funds. He notified the Department, Ms. Langley and Ms. Rubald, that Gerald Eick was changing the enterprise funds to special revenue funds. He was told by the Department of Taxation that they have to approve those changes to fund structure, and he would be notified and given the opportunity to object. Mr. Eick made his application, it was placed on an agenda before this Committee and Mr. Katz was never notified. He was not aware of the additional transfers until Mr. Dobler notified him about them.

He claims IVGID never notified the Department of these increases to enterprise fund transfers. According to Ms. Langley, no local government since 2013 has notified the Department of any increase to enterprise transfers. He stated IVGID has been doing them for years. The auditors didn't mention these in the CAFR, and Ms. Langley has not investigated these transfers. He disagrees with the Guidance Letter from October 2015, and requests that Agenda Item 8 be placed on a future meeting. He also requested the Committee have the Department do a thorough investigation and report back to the Committee.

ITEM 3. FINANCIAL CONDITION REPORTS BY THE DEPARTMENT; CONSIDERATION AND POSSIBLE ADOPTION OF RECOMMENDATIONS AND ORDERS

For Possible Action: Discussion and Consideration of Nye County Financial Condition: Report by the County on the following matters:

Member Beth Kohn-Cole recused herself from this item due to a conflict of interest.

(1) Review of the FY 15/16 Audit, FY 16/17 Revenue and Expenditures, Cash Flow Analysis for Nye County.

Savanna Rucker, Comptroller for Nye County, discussed the fiscal watch comments and issues. FY15, Nye County had ten budget violations and only three in FY16. The first was Gabbs Town

Water Utility Enterprise Fund. The water utility completed construction; they had not anticipated the depreciation expense increase. FY17 was budgeted similar to 16, so they will prepare an augmentation to correct it. The other two violations were public safety sales tax, funds 10-233 and 10-234. At the time of the budget their District Attorney directed them to spend out of 10-233. Since then the District Attorney has informed them to spend under 10-234. It was an oversight that they didn't note it when the District Attorney changed direction. The Board of County Commissioners did approve expenditures. This was an administrative error and has been corrected in FY17. In 10-233, they had intergovernmental transfers out to public safety sales tax funds for each town that they hadn't budgeted correctly. They are aware of the issues and are making corrections for FY17.

Ms. Rucker went over the items on the fiscal watch notice, starting with timely deposits of monies collected by county officer. She referred to the audit, page 320. The reports were filed timely with the Nye County Treasurers Office beginning January 2016. Regarding monthly statement of cash balances, the auditor noted the required monthly statements of cash balances starting January 2016 were submitted timely. Nye County has no new installment purchase agreements at this time.

Regarding inter-fund loans, she noted at the last CLGF meeting, Chairman Leavitt had requested she look into a \$3 million inter-fund loan, which was incorrectly titled. It was actually a transfer completed in July 2015 and ratified by the Board in October of 2015. Ratification was in the same fiscal year as the transfer, and they have not had any new inter-fund loans.

Regarding Expenditure Compliance, she explained the auditor comments state that the governing body of certain towns did not approve the spending plans for year ending June 30, 2016; however for FY17 the auditor has been to all towns to discuss the public safety sales tax spending plans with the exception of Round Mountain. It is on the auditors schedule to do so. Resolutions creating the required public safety sales tax funds were approved by the Board of County Commissioners on February 16, 2016.

She added that the auditor comment on the last item on the fiscal watch letter, Capital Assets Inventory, states that an inventory of equipment was conducted, but do to turnover in the finance department, was not completed. Her office has seen 100% turnover, and this task was placed on the back burner. They project audit completion by May 31st.

She discussed the general fund schedule of revenue and expenses, and noted they are 1.7 million in excess of revenues originally budgeted. They are \$662,000 up from FY15, and a total of 2 million up in the last two years, their expenses have decreased over the last two years, between FY15 and FY16, and expenses are down 1.5 million. They came in under budget this year and the general fund is significantly improved from the previous years.

Chairman Leavitt asked her to compare the property taxes over the last couple years.

She stated FY15 actual was 12.489 million, FY16 actual was 12.337 million. Property taxes are down, although, she added, that does include net proceeds.

Chairman Leavitt asked how that compares to three or four years ago. She replied that she doesn't have that information with her, but would look into it. He asked her to do so for FY08.

Member Alan Kalt added he would like them to look into the revenue projections as they relate to abatements. Leed abatements are huge due to the solar plants in Nye County. Member Jessica Colvin asked if Ms. Rucker knew what percentage of the properties are in abatement. She stated she would look into that. Chairman Leavitt agreed he would like to see those numbers, for the current two years, as well as back in 2008.

Ms. Rucker continued by noting they have seen decreased expenses. Their costs saving measures are working. The county finished FY16 with total revenues exceeding expenditures

by \$226,000. At the end of FY15, they were deficient 1.9 million, in FY14, they were deficient 3.1 million. They are seeing a positive trend. Ending fund balance is higher than budgeted, 5.1 million increased from FY15.

She added they closed the PET funds in FY15. Dan McArthur, Independent Auditor for Nye County, explained that the PET funds were money the county received from YUCCA Mountain.

Chairman Leavitt asked how the employee level compares over the years. She replied that they are down. He elaborated that finances can go up, but if employee levels are down, services can go down. He asked her to provide the information for the next meeting. Member Jeff Zander interrupted that one of the audience members could answer that question.

Lorinda Wichman, Nye County Commissioner answered that employment is down 25% from 2008. Chairman Leavitt asked about the population and she replied they are up about 400 people (in Tonopah), since 2008.

Ms. Rucker explained the cash flow projection. 50% through the year they are in line with their historical revenue collections. At the board meetings they discuss the monthly financial budget status once a month.

Member Mary Walker asked how they project the transfer will be used. Ms. Rucker replied that it will be cash reserves, and will help fund the ending fund balance. Mr. McArthur added that the Commission passed a resolution to put that 5.8 million aside, and it has not been budgeted.

Ms. Rucker continued that they are holding steady with their expenses, with exception of July, because of prepaid expenses. None of their departments are over budget at this time.

Chairman Leavitt noted that their consolidated tax is 34%. He imagines that revenue accrued at the first part of the year, and that they normally have a heavy consolidated tax over the holiday period is what is causing it. Considering that, he believes the total revenue is somewhat in line with what it should be.

Ms. Rucker referred to the last meeting, where Member Walker commented on an operating deficit. She wanted Ms. Rucker to be sure the formulas were correct. Ms. Rucker confirmed that they are, and explained they do operate at a deficit for the first 8 months of the year, but the last two months put them where they have revenue in excess of expenditures.

She believes the county is going to continue performing financially and that they will finish FY17 strong. The cash flow projection for revenue projection is conservative. She anticipates excess revenues of \$1 million that they could potentially augment.

Regarding FY18 budgets, she has been working with the county departments to ensure they budget appropriately for their operational needs, as well as maintaining their fiscal status.

(2) Review of the FY 15/16 Audit, Final Revenue and Expenditures, Cash Flow Analysis for Northern Nye County Regional Hospital District.

Chairman Leavitt asked her discuss the Nye County's current situation regarding medical. Commissioner Wichman replied that the county is split North and South. The South is in good shape with medical services, but the North is struggling, particularly around Tonopah. They can't keep volunteers with the emergency services. Their response time is down. They have made significant movements forward. They were able to secure a lease agreement with Renown, who is operating a clinic with telemedicine. They have only had one individual complaint, with 100 other reports that are happy with it. They intend to achieve an emergency room situation, which would solve a lot of problems with the volunteers and patients. Their emergency services are in a critical situation. They have gone from 22 volunteers to 7.

Regarding the Hospital District, they are in a great financial position to start out, as it took 13 months to get the ok, and the money budgeted was not spent for that time. The Board of Trustees will have their first meeting January 19. They have met informally, following open meeting laws, to get the administrative stuff together. They have a preliminary time line, and a tentative budget. The time line for the first year is aggressive; by the end of 2017 they would like to have primary care reestablished, and have primary care on staff at the clinic at least a day or two a week. They would like to bring in the REMSA paramedic program, expand the community health initiatives, identify partners for a potential urgent care, and complete the facility inspections going on currently at the hospital.

For 2018, their plans are to establish the new urgent care or emergency room, expand on services, coordinate a grant writing effort, and identify future service potential.

Member Walker questioned the cash flow projection. Ms. Rucker confirmed and explained they have budgeted what the Board might spend, but they will update it after the meeting on the 19th. Member Walker confirmed that the expenditures would then help the operating deficit. Ms. Rucker stated that the ending cash balance would be improved with the projected reduction of expenditures.

Member Walker asked about structure tax. Ms. Wichman replied she would have to find that out. Member Walker explained there will be a bill that would be for a tax for infrastructure, and could potentially be used for health and operations of the facility. Ms. Wichman noted she will look into it and follow it.

Ms. Rucker added that very little expenditures have been spent this year.

Member John Sherman noted that absent a long term adjustment, the fund balance will be going down. He questioned if that was accurate.

Ms. Rucker replied that they have seen significant improvement over the past three years. Their expenses have decreased, revenues have increased. They project to continue in this manner.

Chairman Leavitt asked if they anticipate in the next fiscal year that the revenues and expenditures will balance, excluding the stabilization fund money. Ms. Rucker confirmed. He anticipates by the next meeting Nye County to have completed their budget. The Committee would like to see how they stand on revenues, expenditures, and the stabilization fund.

Member Kalt asked if Nye County considered the establishment of a stabilization fund, they can create a special revenue fund, but it would have to have strict criteria. They have done that in Churchill County. He suggested that may be something they want to look at to alleviate some potential pressure.

Mr. McArthur replied that Nye County has a fund, NRS 354.6115 deals with the stabilization fund; they utilized that money five years ago. It does exist, under that statute, but has not been changed to meet the more stringent requirements referred to. The county could look into that. The money currently in the fund balance is the 5.8 million. It does not meet the restriction required in GASB 54; it shows in the financial statement as committed fund balance.

Member Beth Kohn-Cole inquired if the whole 5.8 million was transferred or just 4.9. Mr. McArthur replied that it was the whole 5.8 million as it was over a two year period.

Member John Sherman expressed concern over the cash flow, whether they put it in the general fund, in a separate fund, that it has to be looked at closely.

Member Walker noted she appreciates the amount of work they put into the audit. She complimented their hard work, and detailed answers. She believes they're on the right track, but it will take some time.

Chairman Leavitt added he believes they have made a real effort, and are trying to eliminate the violations.

(3) Report by the Department on the status of the Fiscal Watch

Ms. Langley noted that the Department would like to keep Nye County on fiscal watch currently, understanding the improvements have been significant and they would like to watch through the 17/18 budget process.

Chairman Leavitt agreed, for at least another year. He'd like to see the revenue and expenditures balance with each other, eliminate any statute violations, and see how the medical issues turn out before they take them off.

ITEM 4. CONSIDERATION OF REQUEST TO WAIVE COMPLIANCE WITH CERTAIN REQUIREMENTS TO EMPLOY AND EQUIP POLICE OFFICERS PURSUANT TO SB1 (2015), Section 3.7, Subparagraph (b)

For Possible Action: Las Vegas Metropolitan Police Department

Chuck Calloway, Director of Intergovernmental Services for the Las Vegas Metro Police Department, stated that in 2004 the voters of Clark County approved an advisory question to raise sales tax by half a cent to hire additional police officers. In 2005, the legislature approved a quarter of a cent, and told them to come back for the rest. The economy went south. In 2009, they were unsuccessful in getting the additional quarter of a cent, and in 2011 they did not even attempt it. During that time they lost over 400 police officers, and were not replacing them. Revenue was lost due to lower property taxes. Vacancies were left in order to assist with balancing the budget. In 2013, they tried again for the additional quarter of a cent, and during a special session the legislature authorized the County Commission a raise the sales tax by .15%. The legislature put a section in the bill that requires them to hire equally between the more cops fund and the general fund. They are making progress, but it takes time to recruit, and put officers through the academy. To ensure transparency, they are submitting a waiver based on the language in § 3.7 of the statute.

Joni Prucnal, Director of Finance for the Las Vegas Metro Police Department, noted they added 133 officers with the additional revenue. She explained they requested the waiver because they average about 120 vacancies during the year. In order to meet the rule they would have to have 133 vacancies and be able to fill them, currently they only have 41 vacancies. 6 of them are in the fund with the additional sales tax, the other 35 in the general fund. They're applying for this waiver to be overly cautious. They do not want to hold 133 positions as this is written.

Mr. Calloway added that the key is to get additional officers on the street in a timely manner. Violent crime has increased. Officers make a difference and the faster they can get officers trained the faster they can get out there. Being proactive would be better than reactive. The waiver allows them to meet the intent of the law, get additional officers, and not bind them because they can't add the officers if they don't have an equal number of vacancies to fill. They're intent is to be transparent and to make sure they follow the letter of the law.

Member Walker recused herself from discussions regarding Las Vegas Metro Police Department.

Chairman Leavitt noted that he doesn't believe the statute requires Las Vegas Metro Police Department to provide the Committee with reports, but he would like to see that, and suggests they include approval being contingent upon them providing updates to the Committee.

Mr. Calloway noted they'd like to provide that information. The More Cops Fund has more oversight than any other fund. They report annually to the Department of Taxation, the interim legislative commission, as well as the fiscal affairs body overseas their operations, all of their more cops spending goes through the Fiscal Committee. They prefer to be transparent.

Member Kohn-Cole asked if this is additional revenue to cover additional costs, if there are vacant positions, why wouldn't they want to use the funds from the general fund instead of the additional funds. Ms. Prucnal responded that they use all of their funds to fill vacancies.

Member Kohn-Cole was concerned they were not filling all the vacancies. Ms. Prucnal assured her they are trying to, however, the process takes time. Mr. Calloway added because the vacancies fluctuate, it takes time to recruit, hire, etc. They want to be sure they are following the letter of the law.

Chairman Leavitt clarified that this is a time issue. They want to be sure that if the waiver is granted they don't take advantage of the situation.

Ms. Langley commented that the Department does get a report regarding more cops; she added she will work with the staff to be sure it provides the employee number for the Committee to review.

Ms. Prucnal briefly explained their reports. Member Zander asked the Chairman if those were sufficient for the requirements. Chairman Leavitt stated he would want more detail regarding vacancies, how many positions filled, etc.

Ms. Prucnal agreed they could do that. Chairman Leavitt asked her to coordinate that with Ms. Langley, and maybe they would have them come back annually to discuss it with the Committee.

Member Zander moved to approve the waiver with the ongoing reporting as requested on an annual basis. Member Kalt seconded the motion. The motion passed.

ITEM 5. CONSIDERATION AND APPROVAL OF REPORTS REQUIRED BY NRS 354.613(6)(b)

(a) For Possible Action: Report by Department on transfers from Enterprise Funds by Counties and Cities during FY2016 pursuant to NRS 354.613(6);

(b) For Possible Action: Consideration and approval of report to the Director of the Legislative Counsel Bureau for transmittal to the Legislature pursuant to NRS 354.613(6)b

Ms. Langley read NRS 354.613(6) and the letter provided by the Department to the Committee, which stated the Department did not receive any reports. She referred to the letter to the LCB stating such has been provided for the Chairman to sign.

Chairman Leavitt commented that this seems simple, and asked for any comments.

Member Walker asked in regards to North Las Vegas, if they are still moving the transfers to their general fund, to which Ms. Langley confirmed.

Mr. Katz commented that he looked at 354.613(2), and believes it says something different than what Ms. Langley reported. It talks about how the governing body of a local government may increase the amount of any fee imposed for the purpose for which an enterprise fund was created, and it specifies the requirement be approved by the governing board. He explained this is a fee that goes into the enterprise fund not a transfer from it. He previously alerted the Committee that IVGID has been making transfers from the enterprise fund in excess of what they have reported. There has been an increase and IVGID should have reported it.

He stated Ms. Langley informed him yesterday there hasn't been any local government that ever notified the Department of Taxation of these increases in enterprise fund transfers before.

There is evidence that IVGID made an enterprise transfer within the last two fiscal years and haven't reported it. He claimed Mr. Dobler has evidence of these transfers. He asked what the Department of Taxation does when the local government fails to report to the Department as required, and the Department learns of these transfers from other sources.

He objects to going to the Legislative Counsel Bureau claiming that they are not aware of any of such increases in Enterprise Fund transfers when they are now on notice that there has been an increase for IVGID. He also noted that 354.626 makes the improper transfers unlawful, and now makes the failure to report excess Enterprise Fund transfers unlawful as well.

When he had spoken to Ms. Langley, he asked since a Supreme Court case that says no citizen can remedy violations of Section 354, only the Department of Taxation can, if the Department isn't going to enforce these provisions, who is? The taxpayers of Incline Village get hurt.

He objects to this letter going out, and asks that the Department be directed to investigate if there has been any increases in enterprise fund transfers. If so a revised letter should go to the Legislative Counsel Bureau.

He also notes in reading 354.613(2), it mentions increases in fees imposed. IVGID is running commercial business enterprises; it increases fees every year, and does not go through the requirement of § 3, nor notify the Department of Taxation. The public is asking the Committee to require the Department to be their advocate and ensure they do not have these violations.

Chairman Leavitt stated his objection was noted and asked if there was a motion.

Member Walker moved that the letter go to the Legislative Counsel Bureau. Member Johnson seconded. Motion passed.

ITEM 6. For Possible Action: Review of Rules of Practice Required by NRS 233B.050

Ms. Langley stated this Item is intended to fulfill the requirements of NRS 233B.050(1)(d). She briefly reviewed the requirements of that statute.

She referred the Board to their packets, to the complete set of the 13 regulations proceeding before the Committee of Local Government finance, all were adopted in 2010, and none have been amended.

The Department has no recommendations to further change the equalization regulations. With regards to hearing process regulations, in the future, it has been recommended that the Board strengthen its ability to place items on the consent agenda such as notices of appearance. A true consent agenda means the Board could take an entire group of cases on the consent agenda under one motion, unless a member wants to take one separately. Notices of appearance may not be conducive to a consent agenda. In the future, the Committee may want to look at NAC 361.7014. Currently the Department recommends they inform the Secretary of State that they recommend no changes, other than those in LCB file R097-15, and they will meet the requirement of the law.

She reminded the Board that R097-15 amended through adoption 6, regulations governing proceedings before the State Board. These include NAC 361.684 on definitions, 361.701 and 7012 on petitions, 7018 on notice of representation by authorized agent, and 708 on appearances of parties and failure to appear, finally, 721 on the format and execution of contents of documents.

Chairman Leavitt asked for comments. There were none. He stated he looked over the items,

and does not see any problems with the way that it is worded.

Member Kalt made a motion to approve, Member Ciesynski seconded the motion. The motion passed.

ITEM 7.

**CONSIDERATION OF REMOVAL OF ENTERPRISE ENTITY FROM CTX DISTRIBUTION
For Possible Action: Discussion and Consideration of Recommendation to Nevada Tax
Commission for Removal of Lemmon Valley Underground Water Basin from distribution
of consolidated taxes**

Ms. Langley referred to page 17 of the package. She noted Ms. Terry Rubald had prepared this presentation prior to her leaving the agency.

She read that the recommendation is to remove Lemmon Valley Underground Water Basin from the distribution of consolidated taxes. This issue arose from a Guidance Letter issued by the Department last April. Guidance Letter 16-001 which was intended to instruct County Assessors and County Treasurers about the proper treatment of billing for underground water basin assessments. She summarized the section of the guidance letter referring to AB 46 and noted the letter was written with the advice and assistance of the State Engineer's Office, input from the county treasurers and assessors, particularly in Clark and Washoe counties.

She referred to paragraph 13 on the last page of the Guidance Letter, referring to the process of assessing groundwater fees and how the counties have paid the division's charges without levying a special assessment on water users. This treatment is not authorized, per NRS 534.040(2), and there is no authority to pay the charges from the general fund without a special assessment.

While implementing the Guidance Letter, the Washoe County Treasurer's Office noticed Lemmon Valley Underground Water Basin was receiving distributions from the Consolidated Tax and they questioned why that was being done. Ms. Langley referred to the emails in Exhibit 2, starting on page 9. She also referred to the screen shot showing that Lemmon Valley received \$752.46 of CTX every month due to being classified as an Enterprise District in 1997.

The Department does not know why Lemmon Valley received a distribution of sales and use tax prior to 1998; the records do not show exactly what they were receiving prior to 1998. They do know Lemmon Valley receives a distribution of CTX because it is classified as an enterprise district.

SB 254 was passed in 1997 creating the current consolidated tax distribution system. She referred to NRS 360.620, which defines an enterprise district, and NRS 360.710, which provides the criteria for determining if a governmental entity is an enterprise district.

Ms. Langley went on to explain NRS 360.710.

The Department believes in 1997 Lemmon Valley was mistakenly classified as an enterprise district due to receiving one of the taxes that make up the CTX, and was then grandfathered in. There is no record that shows why such a distribution may have been made. They can only theorize that it was mistakenly part of the combined property tax rate of Washoe County on which the formula in 1981 was based. Lemmon Valley is the only underground water basin in the state to be classified as an enterprise district. She referred to Exhibit 4, the NTC meeting minutes of March 10, 1988, that show another underground water basin district that was withdrawn from receiving the CTX distribution because it was mistakenly considered an enterprise district.

The Department now believes that Lemmon Valley Underground Water Basin does not qualify as an enterprise fund as defined in NRS 354.517. Ms. Langley explained that the State Engineer's office provides services, and those costs should be paid for by a fee per the

Guidance Letter. The fee should only be charged to water users and included on the property tax bill as a separate item. It should not be subsidized by all taxpayers of the CTX.

Unless Washoe County objects, the Department believes the 1997 determination of Lemmon Valley Underground Water Basin as an enterprise district should be reconsidered. If the Committee agrees, the Department wants to take the revised recommendation to the Tax Commission for final approval for a revised CTX distribution, not including Lemmon Valley. Washoe County would need to calculate a fee to appear as a separate charge on the property tax bills, like it does for all other underground water basins.

Chairman Leavitt asked for comments. He believes it is pretty straightforward.

Member Colvin asked if there were any significant impacts to Lemmon Valley, or if they were aware of this proposal.

Ms. Langley introduced Michael Pelham who does the CTX for the State. She also noted Washoe County may be on the phone and may want to address that.

Michael Pelham, Department of Taxation, stated that Lemmon Valley currently receives a distribution of \$752.46 per month, \$9,029.52 per year. Over 208 months since CTX was implemented, they have received \$156,511.68.

Member Kalt asked the Chairman what the assessment amount was to water resources to pay the bill for their basins.

Ms. Langley noted Water Resources could answer that, and Daniel Randles, with Water Resources, asked to hear the question again.

Member Kalt clarified that it appears that they paid more to Water Resources than they received in CTX.

Tammi Davis, Washoe County Treasurer, added that each year they receive the amount to bill for each basin from Water Resources. While the CTX has been received, they have not billed that on the property tax bill because the cost is covered. If the CTX is removed, they will bill it on the property tax bill as Ms. Rubald had outlined in her comments.

Chairman Leavitt asked if she had any objections. Ms. Davis explained she agrees that this needs to be handled correctly going forward, and in her conversations with county officials, she is not aware of any objections.

Member Kohn-Cole asked if it is billed on the property tax bill, if it will come out of the general fund and be paid back with the CTX so it would be a wash.

Ms. Davis explained that it would be a separate line and it does not affect the general fund, it is a separate fund.

Chairman Leavitt asked if there was a motion.

Member Walker moved to approve the removal of Lemmon Valley Underground Water Basin from the distribution of the CTX. Alan Kalt seconded the motion. The motion passed.

ITEM 8. BRIEFING TO AND FROM THE COMMITTEE ON LOCAL GOVERNMENT FINANCE AND LOCAL GOVERNMENT FINANCE STAFF

(a) Correspondence from Dick Warren regarding IVGID 2016 Audit

Chairman Leavitt noted Item 8(a) has been pulled from the Agenda.

(b) Correspondence from Department of Taxation to State Treasurer related to definition of "uncommitted balance of the general fund" as that phrase is used in SB 1, Section 28, subparagraph 3(a)(4). 2015 Special Session.

Chairman Leavitt noted this specifically to North Las Vegas. He asked Ms. Langley if they have any comments from North Las Vegas regarding this item.

She responded that she does not. She noted Ms. Rubald had modified or revised her earlier letter from April 5, 2016 in regards to uncommitted balance of the general fund. Based on the definition, the Department has to determine available, they would consider both the assigned and the unassigned fund balances to be uncommitted balance of the general fund subject to repayment of the general obligation bonds issued by the state treasurer.

She stated it was put on the agenda just to have it on the record.

Chairman Leavitt asked Ms. Langley to have North Las Vegas comment on this by letter so that he knows they had a chance to review it.

She agreed to and noted that she believes the State Treasurer works closely with North Las Vegas and that was the purpose of this. She added she will make sure they are on board with the final determination. She asked if he would like their response at the next meeting.

Chairman Leavitt declined, stating only if there is a disagreement or problem with it.

ITEM 9. REVIEW AND APPROVAL OF MINUTES
For Possible Action: CLGF Committee and Sub Committee Meetings – September 26, 2016

Chairman Leavitt asked the board if there were any problems with the minutes as presented.

Member Zander moved to approve the minutes. Member Johnson seconded the motion. The minutes were approved.

ITEM 10. For Possible Action: Schedule Date and Review Agenda Topics for the Next Meeting

Ms. Langley commented that the calendar will probably be pretty full for the Committee Members due to the legislative session which begins in February.

Chairman Leavitt suggested scheduling after the legislature was over. Ms. Langley suggested the early part of June, noting they will have a full calendar because there will be North Las Vegas as well as Nye County, and a couple others they know of right now.

Chairman Leavitt noted if they wait until June, they will have final budgets for North Las Vegas and Nye County. Ms. Langley agreed and noted they would have all of the audits, which were just received.

Chairman Leavitt inquired with the board if the first of June worked for them. They agreed and Member Walker noted she believes the session ends June 6.

ITEM 11. PUBLIC COMMENT

Chairman Leavitt congratulated Member Colvin on her recent appointment as chief financial officer for Clark County.

There was no public comment.

ITEM 12. For Possible Action: ADJOURNMENT

The meeting was adjourned at 10:58 a.m.

