Minutes of the Meeting
COMMITTEE ON LOCAL GOVERNMENT FINANCE
March 7, 2014
10:00 a.m.

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

COMMITTEE MEMBERS PRESENT:

Marvin Leavitt, Chairman
Andrew Clinger
Alan Kalt
Beth Kohn-Cole
Jeff Zander
John Sherman, Vice Chairman
Julia Teska
Mark Vincent
Marty Johnson
Mary Walker

COUNSEL TO COMMITTEE

Dawn Buoncristiani

DEPT OF TAXATION STAFF PRESENT:

Terry Rubald
Kelly Langley
Warner Ambrose
Heidi De'Angelo
Penny Hampton
Janie Ware

MEMBERS OF THE PUBLIC PRESENT:

Name	Representing
Scott Nash	Bank of America
David Pauley	Bank of America
Greg Titus	Bank of America
Brian Yoakum	Bank of America
Ted Olivas	City of Las Vegas
Darren Adair	City of North Las Vegas
Debbie Barton	City of North Las Vegas
Jan Fullmer	City of North Las Vegas
Sandra Morgan	City of North Las Vegas
Wade Wagner	City of North Las Vegas
Megan Salcido	City of Reno
Jeff Cronk	City of Sparks
Jeffrey Share	Clark County
Jeff Moradkhan	Las Vegas Metro Chamber of Commerce
Jordan Bunker	Las Vegas Valley Water District
David Eades	Moore & Van Allen
Rob Blake	National Post Finance Guarantee
Carole Vilardo	Nevada Taxpayers Association
Karen Davis	NV Energy
Wayne Carlson	PACT
Jeffrey Church	Reno Resident
Janet Houts	Storey County Resident
Mark Joseph Phillips	Storey County Resident
Mitch Fox	
Dan Yu	

1. Roll Call and Opening Remarks

Warner Ambrose, Budget Analyst, Department of Taxation, took roll call and stated there was a quorum.

Chairman Leavitt recognized the long-time service of Mr. Mike Alastuey, who just recently left the Committee. He has been a member for many years and has done an admirable job on the Committee. Chairman Leavitt stated that he appreciated Mr. Alastuey's analysis, work and integrity over the years.

2. Public Comment

Janet Houts, resident of Storey County, came forward for public comment. She thanked the Committee and the Department of Taxation for the financial report. She stated that Storey County has published the financial report. She appreciates the help, and would like to ask for help again in the future.

3. For Possible Action: City of North Las Vegas Financial Condition

1.) Report by City on financial condition for FY 2014 including revenue, expenditures and cash flow analysis;
   1) Status of negotiations on CBAs and effects of recent court decision
   2) Revenue and expense forecasts for FY 2015
   3) Financial status of enterprise funds
   4) Plan required by NRS 354.613(10)
   5) Report on whether City plans to submit a request pursuant to NRS 354.6135
   6) Progress / recommendations made by the Shared Services Committee

(b) Report from City on plan to alleviate financial difficulties currently experienced by City

Member Johnson disclosed that he owns some North Las Vegas water and sewer bonds. It is not a significant interest. He spoke with the Dawn Buoncristiani, our Deputy Attorney General, regarding this. Member Johnson stated it is not a significant interest, and he does not believe it would impede his ability to make objective and rational decisions regarding this agenda item, so he will not recuse himself.

Member Vincent stated that he would like to disclose that the City of Las Vegas is in a Shared Services Agreement with the City of North Las Vegas.

The Court Reporter stated that she could not hear.

Terry Rubald, Deputy Executive Director, Department of Taxation, stated that the Court Reporter was having trouble hearing and asked the Committee members to state their name when they speak.

Member Kohn-Cole stated, based on her relationship with the union, county services and her performance of consulting services, she would recuse herself on this matter.

Terry Rubald asked if she could provide a brief introduction before the City of North Las Vegas provides a report on its financial condition and its plan on how it intends to alleviate its current financial difficulties.

Terry Rubald went on to say the City of North Las Vegas has been appearing before the Committee on several occasions since 2011. Because this body and the Department have both recognized the fragile condition of the City's finances and desire to monitor the City's progress; and the City has indicated that it appreciates the advice the Committee members and the Department have to offer to effect improvement. The last time the City appeared, the Department stated the City was not in violation of any of the severe financial emergency criteria at that time; however, the members basically commented they were concerned about the long-term viability of the City. We have asked the City to prepare certain information for your consideration, and also supplemented the record with other documents which we have obtained. The City has provided you with a cash flow projection of the general fund through December 31, 2013, as well as statements of revenues, expenditures, and change for the general fund, the wastewater utility fund, and the water utility fund. They also provided the ordinance which allowed the original bond levy for the utility funds. Section 9 of that document discusses what the limitations are for the use of the monies generated by said utility systems. The City has also provided preliminary revenue projections for the general fund through 2021-22, which appears to indicate that substantial transfers in will continue to be necessary, and what the effects are if the transfers in are reduced. The City will explain all these documents in more detail. The Department included in your record the most recent quarterly economic condition report, power points prepared by the City with regard to a summary of reductions taken, and a seven-year financial forecast. There are also documents recently presented to the North Las Vegas and City of Las Vegas Shared Services Committee from Barclays and the North Las Vegas certified public accountants. She would like the Committee to observe that the City noted in its quarterly economic condition report on Page 20 of the record that the City's tax revenue has fallen sharply as a result of the recession; the General Fund property tax revenue has declined by 70% since 2009 and the property tax revenue is projected to continue to decline. Recent litigation surrounding the City's emergency resolution authorizing the suspension of the union agreements has now been decided by the Court, and that decision is included in your packet, although the City and unions are currently working out the full amount of the judgment. Also included in your packet, and the reason the packet is so large, is the June 30, 2013 CAFR as well as the 2014 budget. If there is anyone in the audience who desires those documents, we have placed the packet on the Department's website, and the CAFR and budget are also available on the City of North Las Vegas website.

Darren Adair, Acting Director of Finance, City of North Las Vegas, began his presentation. He expressed his appreciation of the work everyone involved has done to put this package together. He introduced Jan Fullmer and Debbie Barton, who played a very integral role in the preparation of most of these numbers. Mr. Adair reviewed a high-level set of slides that they presented back on January 7th, starting with the new year, where they prepared summary slides on the financial situation for the City of North Las Vegas. Starting from there, sharing that information with the public, with the City Council and the Shared Services Committee and involving the external accountants to provide a verification. Mr. Adair referred to Page 25 of the packet. He apologized for the split, stating the third picture is very small and the detail is difficult to read. The Committee on Local Government Finance (CLGF) asked the City, as part of access to the AB502 tool, to present a seven-year forecast indicating what their plan was for reducing their reliance on the current monies for building and ultimately meeting compliance by 2021. As well, that exercise was valuable in identifying what would be the structural deficit for the City.

Member Clinger stated that we are having a really hard time hearing in Carson City. He asked if there was a way to turn up the volume or resolve the issue.

Chairman Leavitt stated the volume is light in Las Vegas also. We should resolve this before we move forward.

Member Kalt stated he had joined the conference call.

Chairman Leavitt responded that Mr. Kalt was coming in good.

Terry Rubald stated the Gaming Commission will turn up the volume, but we are asked to make sure everyone talks closely into the microphone. We can proceed.

Darren Adair referred to the first slide, which is on Page 27 of the packet, entitled "City of North Las Vegas Seven-Year Financial Forecast Estimated Revenue Requirements for an 8% General Fund Ending Fund Balance." This is a summary of the next page, and he wanted the Committee to understand the deficit would be there. They assume that every fund that would go into the red during that period of time would have to be subsidized by the general fund if it was to stay balanced. That is the way they were able to put a picture together of what that might look like. If a particular fund has a positive fund balance, and it was a restricted fund, the positive fund balance did not roll back into the general fund because unless it was available to be used or drawn upon by the general fund, which in many cases it was not.

Member Sherman requested clarification on this table. He reads it as the additional revenue needed by the general fund to balance the budget and attain an 8% general fund balance. Is that correct?

Darren Adair answered yes, that is correct. Another way of looking at this is they could put brackets around these numbers. It represents the revenue requirement, and is a way of saying deficit – anticipated deficit. So for the seven-year projected period, they projected that, based on the assumption in the model, they would have a $152 million dollar structural deficit over the seven-year period of time. That is using the full amount of the enterprise transfer funds of $32 million dollars during that entire period until the year 2021, at which time it would cease. On the second slide, Page 28, they identified the three major funding groups or groups of funds: The general fund, the public safety special revenue funds and then the utility enterprise fund. They felt these were important to understand what the total kind of revenue expenditure picture looked like and what happened to the ending fund balance over the period of time for each of those respective funds. In the enterprise fund, however, they did choose to show what the beginning cash balance and ending cash balance was because those were relevant to the question of AB503 in accessing cash out of those funds and not just addressing the fund balance.

Member Sherman stated he was finding this table very difficult to read. He asked if a more legible copy could be provided. He made note there appears to be a lot of red on this one.

Terry Rubald apologized for the quality of the document. We will send it out by email. It will be able to be seen more clearly on the computer screen.

Member Vincent asked the Chairman to highlight some of his assumptions for this chart, particularly as it relates to collective bargaining.

Darren Adair responded that in preparing this seven-year forecast, they took the current process followed internally for the preparation of an annual budget, which was starting for FY 2015, and then extended it out for the seven-year period of time. They made the assumption that anywhere they knew there were collective bargaining terms in place, they used those. They did not make any assumptions with respect to negotiating those down other than over the seven-year period of time when, in fact, they did not have existing contracts that covered those years. They did make some assumption of those terms – they got a little tighter as time progressed. One thing that this model being presented did not do is take into account, if all of those benefits and increases in the assumption line for the collective bargaining groups were zeroed out, what the structural deficit would look like in that particular situation. However, at the request of the collective bargaining groups, they did run that model, and the impact was that the structural deficit went down from $152 million during the period of time down to $89 million structural deficit for 2021. Other than that, for all of the assumptions they basically used the statistical works and package from Applied Analysis, and anywhere where they knew information or could make reasonable assumptions on growth rates for property taxes and expenditures, those items were reflected in there. In the detailed information that was provided to the Committee, all of those details are available, even by fund.

Member Vincent asked Mr. Adair for collective bargaining agreements (CBA's) for the period of time when they did not have any terms. He asked what growth factor they used for the benefits, in general, for those periods, and for those bargaining groups who did not have a contract.

Darren Adair stated that in the last two years, the council passed resolutions that froze many of the collective bargaining agreement provisions on increases in salaries and benefits. In this model, they made the assumption that they started back where they left off. They started with the same terms but at the beginning of FY 2015 and added the percentages up. They did another calculation as they were trying to determine what the liability would be going out if they had used the collective bargaining agreement terms and the resolution had not been in place and had been restored to those levels. Then they projected on out, and the structural deficit turned out to be $211 million at that time. The Council tested a scenario with the CBA's as written and the effect on the financial position if the agreement requirements were all met and the Council did not enact the resolution freezing the terms. They took no liberties if there had not been a judgment. If there was not a judgment at the time, it was not included. A projection is based on a given set of assumptions. They did not take into consideration all of the potentially good or bad things that could happen. They did try to get an understanding of what those would be, realizing that even in the scenario, if they could get all of the good things to happen and none of the bad things to happen, then there was light at the end of the tunnel. However, if the reverse happened, that light at the end of the tunnel disappeared very quickly.

Member Vincent stated the reason he was asking was because it was difficult to understand and read. For the 2014 expenditures and the general fund, it looks like $120.2, roughly, and then in forecast for 2015, it is primarily recognition of all of the above without the emergency resolution. He asked if that was correct.

Darren Adair responded that was correct. Mr. Adair went on to say that for those that cannot see the information on the schedule clearly, he wanted to point out a couple of things. There was a comment that there was "a lot of red" throughout the forecast. For the general fund, they would project falling below and going into a negative ending-fund balance in FY 2015 just by the structural deficit in that particular year. This is where they are primarily focused right now. That is a $17.8 million structural deficit. They are further along in the 2015 internal budgeting process and are seeing a tightening of the belt. Over the last three or four years, maybe five years, the City itself has cut almost $211 million in reoccurring type expenditures to force reductions in workforce as well as services and supplies. The City does not have much more left they can trim off. This makes this reduction of $17.8 billion very difficult to accomplish. Proceeding on, you will see continued red, and you will see a spike in FY 2021 that primarily has to do with the $24 million increase in expenditures or decrease in cash flows into the general fund as they stop taking funds from the enterprise fund. Why $24 million versus $32 million? They worked closely with Jeremy Aguero from Applied Analysis, looking at the justifiable expenditures for overhead and property taxes and franchise fees that the utility fund might otherwise pay as a separate entity to the City. That was roughly $7 to $8 million dollars. That will leave a $24 million shortfall that they need to plan to overcome and address over the next seven-year period.

The next group of funds is the public safety funds that included the More Cops, $288.287, and a few others, as well. Not all funds go into the red at the same time. This shows a combination of those funds. You can see those funds are depleting and would be going into the negative in FY 2016. The enterprise fund starts off with a fairly healthy beginning and ending cash balance in FY 2012. That decreases through the first two years of actual information and then is forecasted to decrease. It bumps up based on the projection for the end of the year due to some reductions that they have in the account. Through FY 2021, it continues to decline to a low point of about $2.2 million in ending cash balance. That would be below the debt covenant requirement, which is 25%. This is the ending cash balance, not the ending fund balance. The difference is that the ending fund balance includes some of the cash that is restricted but still current. They are currently projecting, in the enterprise fund for the utilities, continuing to take the $24 million in debt through 2021, as long as the City has an operating deficit. They would be able to sustain that in that fund and still meet their debt covenant requirements, but just barely. What does become a concern is understanding where their capital reserves might need to be in order to address unplanned, unforeseen, large capital improvement projects, especially during a period of time where the City's bond ratings are essentially junk, and raising capital for the city would not be a viable alternative at this time. They are in the process of engaging an independent reserve study to understand the health and necessary recovery levels that fund needs to return to. They will be happy to keep the Committee in the loop on the progress of that report as it becomes available.

Member Sherman stated he would like the underlying assumptions in more detail regarding the tables on Page 28 and possibly Page 16. In particular, he would like the rate of change that was used for both revenues and expenditure line items and their particular justification.

Chairman Leavitt stated that Member Sherman was very difficult to hear on their end.

Member Sherman stated he would try to speak closer to the microphone, if he could. Member Sherman stated he would like to ask the City of North Las Vegas to provide the underlying metrics for the change in revenues and expenditures that were assumed in these, and their justifications. For example, at the last meeting of the Committee, particular attention was paid to the utility funds, and underlying the revenue expenditures was the assumed rate change that would be imposed and also the assumption on any particular demand statistics of water or sewer use. If we could get that information at a later date, he would appreciate it.

Darren Adair stated they would be happy to provide that. In general, they assumed a 3% water and wastewater fees increase, which had been previously approved by the City Council. As well, assume the same amount of increase in cost and supplies going forward. In all of the models, they looked at their current personnel staffing patterns. They looked at not just the concept of funded, but vacant positions that they might have included in the budget. In preparing this projection, they took their actual staffing at the end of the year and assumed that staffing was unchanged. No deletions as well as no hires through the seven-year period. Probably one of the significant shortfalls of this projection is that a 3% year-over-year growth for a seven-year period would represent close to a 25% increase in the City's operating requirements. It would be a challenge to operate in 2021 without additional staffing.

Member Vincent stated that the discussion indicates they will not be able to wean off of the PILT transfer. That has been pushed out to 2021. You have done the impact analysis on the water and wastewater fund. The assumption is you might be able to get through that okay. The thinness gets critical a few years out. We should focus on what to do for FY 2015 and FY 2016.

Chairman Leavitt agreed. We need to talk about this now. One of the things standing on the horizon is this real financial emergency. One of the determinations we have to make is whether we want to begin the process of declaring a severe financial emergency. Whether or not that is necessary depends somewhat upon what you plan to do and your willingness or ability to do those things. Let us just say, for instance, you went into severe financial emergency now or at the beginning of this next fiscal year. Let us suppose, as a result of that, we levy property taxes you were unable to levy yourselves because of the provision of the statute. Then let us suppose we continue to make the transfer of money from the utility fund up through 2021. Since a severe financial emergency cannot continue for longer than five years, in about 2020 or 2021, we would lose the additional property tax, and you would be unable to make the transfer. We would be kicking a can down the road until 2020, and then we would go off a cliff – and it is a huge one. In the meantime, we have not resolved your financial problems. This might sound like a good solution right now, but in the long run, it may not be to your benefit. Chairman Leavitt suggested getting in balance this next fiscal year. It involves negotiating with your employees. Chairman Leavitt went on to say that there is a tentative budget due on April 15th. When you do the tentative budget, make your determinations as to what you are going to do to solve this problem this next fiscal year as best as possible. We will have another meeting after that time to see what you have done. When talking about the tentative budget, he is not talking about putting a big line item in there that says expenditure reductions required to balance the budget so that it all balances. In a tentative budget there needs to be a definition as to what you are going to do so we can understand exactly what you are planning on doing with your level of employees and salaries. We should meet sometime between the April 15th and May 1st. Maybe the Mayor would like to respond.

Darren Adair stated he would be very interested in responding. At the time they did the seven-year projection, it was clear to him and much of the staff that there was no single stakeholder for the City – not the citizens, not the neighboring municipalities, not the creditors, not the employees, no specific business owners that could or should take the responsibility of making up this deficit. When he says "deficit," he is talking about an average of a $22 million structural deficit per year as well as another $24 million on top of that. This is $46 million to try and solve on a reoccurring, annual basis. From an employee standpoint, it is an average of $100,000, including benefits, PERS, for the average employee. To solve $42 million, we would be laying off at least 420 of the City's current 1,000 employees. They would not even be able to cover minimum services in that particular situation. They are in absolute agreement with Chairman Leavitt that something needs to be done. In the Mayor's State of the City Address at the beginning of the year, he called to for all the stakeholders to step forward and help them with ideas for reducing expenditures and considering ways to increase revenues.

The City itself has been working on some big challenges in reducing its revenues. They have been working closely with their collective bargaining groups. They have been working with them to resolve the previous resolutions and talk to them about what can be done, from their perspective, to reduce the expenditures going forward. That is a very big part of the City's reoccurring expenditures. It is necessary to have those employees to provide services to our citizens. They have also been working closely with Mr. Vincent and benefitting from his staff as well as working closely with the Shared Services Committee and gleaning from the intellect in that group, identifying possible additional revenue sources. If not immediate revenue sources, what can be done to work together to accelerate revenue sources such as development, redevelopment, business, licensing, other best practices and ways that they can generate revenue between parks, etc. All of these things are top of their list, and they have been spending a lot of time of these. The tax situation will be discussed later, so he will not take this opportunity to talk about the challenges they face as a city within their ability to address potential increases in revenues. There are only a couple of sources where they can do that, and most of those have constraints for various reasons or significant gaps that impede the ability for the City to resolve its issues outside of a severe financial emergency course. What they see as a benefit from the severe financial emergency course, is the ability to do something the City cannot currently do itself. That is to increase the taxes to a high level. In and of itself that would not do any good at all with the abatements and caps that exist. However, the State could set aside those abatements and caps for a five-year period of time. Accessing additional intellect, professional experience, working closely with this Committee and partner cities to identify possible solutions, looking collectively outside the group of solutions that they know of, is valuable. It would be most fruitful, in returning back to this Committee by April 15th, if they can continue to have an open dialogue with whomever this Committee might feel is necessary, at the State or local levels, to generate ideas for putting together a plan so they can come back to the Committee in April and talk about what can be put into place.

Chairman Leavitt stated he would like the Mayor to come up, too. He believes people are making a mistake if they think that even if you went into a severe financial emergency that there would be property taxes levied to the max. He does not know that this would happen. This is something you would have to consider, but he does not think there is a guarantee. In North Las Vegas as a whole, property does not have the most affluent residents in the valley. They are already paying property tax rates in excess of most other residents in the valley. If we took you up to the $4.50, and then without the abatements in place, your own people would have to pay property taxes that are substantially higher than anyone else in the valley when they are not in an economic situation to be able to do that.

Mayor Lee stated he understood what the Chairman was talking about. They have had a lot of discussion on this, and there are few options. On a positive note, they have a new team. When he first came to a meeting, no one knew anything. The Committee sent him back to City Hall to figure out the numbers, and what was actually going on. Now, you can see they have a team around them that has the intelligence to get you the information you need to make the decision. He attests that they had poor leadership in the past. He is trying to overcome this with the integrity that is coming this way, but that still does not fix the problem. He is meeting with each of the union heads in the next two weeks. They are going to have a discussion about where North Las Vegas is and can get to. He tells the leaders he cares about their families, their employees and he knows they care about their citizens. They have all of that in common. They have more in common than divides them. They are working on finishing the negotiations and getting back to the Committee in a very timely manner. The three things he needs right now is time, money and intelligence. He is seeking intelligence to make the right decisions for Las Vegas. He needs to generate more money. That is where the Shared Services can help. They are not the panacea of what has to happen. He needs to produce more income. They are working on things with different groups and organizations right now about the unintended consequences of the property tax issue. He would like to ask for some time before coming back to the Committee with a solution to the things that have been discussed today. They have always responded in a timely manner with answers to the suggestions you give them. They use this Committee as a technical assistance Committee. Mark Vincent is their closest ally involved in the things they are doing. Many members of your Committee have reached out to give them assistance. Mayor Lee stated, with his heart of hearts, that North Las Vegas will be in business and continue to be a viable City in the future.

Chairman Leavitt stated he appreciated Mayor Lee's frankness. He was disappointed at the last meeting in August because he thought some staff were playing games with us. We have a group on this Committee that has a huge amount of financial background in local government. We felt, at that time, they were trying to tell us things that the numbers did not substantiate. He feels much better now and believes we have arrived at the point where we have an understanding and agreement as to what the situation is. Now he believes we simply need the City to come back to us and say what their plan is for fixing it. He believes if the City comes back with that plan, then there is no need for the State of get involved in taking over the finances of the local government. If they cannot come back with a plan then he believes we will have to consider alternatives. With the staff they have plus with the assistance of the City of Las Vegas, Henderson and members of this Committee, the technical expertise is there.

Mayor Lee stated that the Legislature is aware of where they are. Chairman Kirkpatrick and his staff converse all the time. He has been on the phone with the Governor. The Governor would like to see North Las Vegas solve its own problems because he would like to stay out of municipal government for as long as he can. Having been in the Legislature 14 years, Mayor Lee recognizes that the State has no money to come down there and solve any problems. It would only get worse if the State gets involved. One of the things they would do is change the City Manager. They have changed the City Manager. They would change the Finance Director. They have changed the Finance Director. They have done many things the State would require them to do. If you give his wonderful staff and himself time to meet with the unions, he believes he can come back with a more favorable discussion on how to meet this challenge.

Chairman Leavitt asked for comments or questions.

Member Walker stated she noticed, in their current year budget, they had the ability to go up about 17 cents in property taxes. At a time when you have declining assessed value, it does bring in additional revenue because it stops the property tax revenue from declining. She would like to see the City look at raising their property taxes in the north. Many jurisdictions in the north have gone up to the $3.64 maximum over this last recession. It is difficult to generate revenue with the abatement, but if you go with the voter approval, that is a long-term revenue source that the abatement would not affect. There is almost $7 million of additional revenue that could be generated if they either go to the voters or perhaps the Legislature on a long-term basis to do a one-time adjustment for this tax rate would be outside of the abatement.

Chairman Leavitt responded that there were some discussions about this the other day. Mark Vincent, using the Treasurer's records, ran an analysis as to what kind of money could be brought in if they levy additional property taxes up to about 30 cents based on the situation regarding abatements.

Member Vincent mentioned in Item 5 (d) today, the Department of Taxation is doing a presentation. On the cap for Clark County for FY 2015, both the non-residential and residential caps are at 3%. What was discovered looking at the Treasurer's data for North Las Vegas, was that their assessed value went from 14, 15, grew to almost 19%. They looked at what raising each additional penny of tax levy would generate. The first penny generates about $65,000 in additional revenue. If they raised the maximum $3.66, including the two cents the State levied, it would only generate about a million dollars in additional revenue, and it would max out the tax rates for that area, both for the county and for the school district. There are some things that North Las Vegas can do that make some sense. The Shared Services would generate some additional revenues for them. Consolidated taxes are performing better for them. The new formula is helping them out quite a bit this year. The growth rate so far is in the double digits for the first half of the year for North Las Vegas. If you add that all up, there is maybe two of three million dollars in additional revenue through their own efforts. Local governments are very, very limited in what they can do. The tax bill caps are not performing now to the best interest of the citizens. That is something that has to be addressed. Going forward, doing everything they can, three million dollars tax out, they are still stuck with a 10, 12, 13 million dollar deficit that can only be resolved through cost reduction in one way, shape or form. This is the difficulty Chairman Leavitt was talking about. They have five weeks to figure that out. The caps are really limited with what they can do with those revenue or revenue that they could generate.

Member Johnson stated the City of Henderson is going to the ballot so that it is not subject to abatement. What does the same penny generate if it were voter approved? Recognizing that cannot help in FY 2015, but it could help the following year.

Member Vincent responded that the Department of Taxation did some calculations that would more closely resemble what would happen for tax increases that were outside of the caps and voter initiative. The question is would voters approve.

Chairman Leavitt stated there has not been much success in going to the ballot for additional money to help overcome a deficit, particularly when North Las Vegas has property taxes that are higher than the general run.

Member Clinger stated he appreciated Mayor Lee's and Mr. Adair's leadership. They walked into a difficult situation. When looking at the annual debt service requirements for the City of North Las Vegas, and when looking at 2019, the annual debt service requirements increase by $137 million. He does not see where the impact of those increased debt payments are on the schedule. He asked Mr. Adair to walk through that because there is a cliff of debt service payments hanging over their head.

Mr. Adair responded that the model put together for the projection does take into consideration the impact that increased demands on the debt service fund in order to cover its bond obligations. Those do spike up about two years out, and then two years after that, even higher. Those do contribute to the structural deficit included in the $152 million that is projected there. If you were to use the analogy of an airplane trying to get off the runway, the short-term debt service increases are like trees at the end of the runway. Getting over the PILT is like a mountain at the end of the runway. We would have to clear the trees and the mountain, as well. It is a little less daunting if you take the ones closest to you first and decide a plan on how to get through those. Member Walker asked what is being done. Looking at the long-term health and viability of the City and getting that back onto the right trajectory, there are a number of things that can be done such as voter initiatives, working with the State, working with the neighboring municipalities, the development and redevelopment areas. The City of North Las Vegas has tremendous potential. Its infrastructure is strong. It has a lot of inventory and land that has a fairly low-cost basis and could be easily developed fairly quickly both off the Apex-Kapex I-15 Interchange as well as in the Park Highlands, 2,600 acre master-planned community. The biggest problem they have immediately is balancing the budget for FY 2015. The clock is running on providing that to you. Mr. Adair told Chairman Leavitt that he does not think they need to wait to come back before the Committee to make them aware of what they are doing. They are trying to take a very open and transparent approach with regular City Council meetings, special City Council meetings, providing additional information, open meetings of the Shared Services Committee, which have been a very valuable sounding board with real financial and State luminaries that have provided valuable insights. The immediate focus, as the Mayor said, is to be in front of the Legislature to develop some solutions. They are having weekly meeting, the City Manager, the City Attorney and staff, with collective bargaining groups. They would like to have ongoing conversation with some of the other stakeholders. The Mayor has reached out, both publicly as well as in writing, to many of their vendors and key partners, asking for partnership in reducing the cost of some of the services that they provide them. One of the most immediate challenges they have is the ruling that came out, and the potential impact on the deficit for next year, of that sizable liability the City could be facing. They have had very positive discussions. The tone and the level of cooperation and the questions that have been asked by the collective bargaining groups and their representatives suggest that they are interested in what they could do to help them out at some level. If we can resolve the outstanding liability with those groups and meet with them to identify a one or two-year agreement, it would allow them to get some additional solutions. There are challenges to raising additional revenues through the tax sources that can immediately appear, but they can immediately impact their 2015 budget. They will continue to reach out to members of the Committee. He would like to tap into all of the intellect that sits on this Committee as well as the relationships you have in the community in order to come up with ideas. They will continue to do everything they can inside their organization. The City Manager spends many hours with the team in reorganization plans, efficiency plans and cost reduction plans as well as the personnel side. They would like to see some recognition of the levels of minimum service the City has had to address to its citizens and yet still try to reduce those costs. It is their commitment to continue to do that and continue to communicate, whether personally, in front of you, via email or other public forums to answer all of your questions as well as approach you on possible solutions.

Member Clinger stated he does not see a solution that does not involve the Legislature. He assumes the Mayor will bring back some sort of proposal that includes going to the Legislature. Member Clinger agrees with everything the Chairman said regarding the severe financial emergency. Although it may not be a sharp tool, it is the only tool that this Committee has. We need to see what North Las Vegas comes back with, but he would be concerned as a Committee member and feel like he was derelict of his duties if we did not do something and use the one tool we have been given. The replacement of the City Manager and the Finance Director has to be taken into consideration by the Department of Taxation. Many positive changes have been made. However, Member Clinger believes the deficit the City of North Las Vegas faces next year and beyond is something that cannot be solved without some sort of legislative help. He would be concerned if we went into the next Legislative Session and had not, as a Committee, acted on this in some way.

Member Sherman added that the Committee does have experience, over the last several decades, of dealing with entities in severe financial emergency. We recognize that the case of North Las Vegas is a degree of magnitude and complexity far beyond what we have observed and dealt with in the past. He agrees that the severe financial emergency statute is a tool that potentially, if necessary, could be a part of the solution. He believes it would be beneficial if the Committee would take time to review that particular chapter to see if there are possible changes that could enhance that chapter's toolkit to address the more unique characteristics of issues faced by the City of North Las Vegas. It would be beneficial to have the review and potential proposals done for the next Legislative Session, in the event it might be needed in the future.

Chairman Leavitt stated he agreed. He recalls that legislation, as it currently exists, was written essentially to deal with the situation in White Pine County School District. Even if it was written specifically to address problems they had in that particular school district, we probably do need to have some review and consideration of changes or additions as it relates to this situation. This, of course, can only be done by the Legislature. Chairman Leavitt asked for the opinion of the Committee. His original suggestion was to have the City of North Las Vegas come back to the Committee after they file the tentative budget to see where they stand.

Chairman Leavitt stated the Committee seemed to be in agreement. He asked the Mayor, the Councilman and the Finance Director if they were in agreement.

Darren Adair stated that is absolutely what they are willing to do. He asked, if under NRS 354, there is a provision termed technical assistance. They have been informally asking for access to this intellectual resource. He asked what that might avail the City under this provision.

Chairman Leavitt stated there is a provision in the statute for technical assistance where they can officially apply for that. Other governments have done that in the past. We make available to you the assistance of the Department of Taxation and members of this Committee. We have had situations where members of the

Committee actually go into the local government, meet with the representatives and try to resolve their situations and make recommendations. No one takes over your government or no one takes over the finances of your government, but we try to work in concert in technical areas. If you want to do that, that is something we could accommodate.

Darren Adair asked if Terry Rubald had any additional comments.

Terry Rubald agreed there is a provision in the statute to provide their expertise. They can do that. Along with that provision, though, there is a provision for cost. In the past, they have tried to minimize the cost and not burden the local government. She believes there would be some travel costs.

Chairman Leavitt stated they are having trouble hearing Ms. Rubald.

Terry Rubald continued, stating that depending on whether it was Department staff or the CLGF members coming to North Las Vegas, the City might be asked to assist with travel costs. She believes they could waive everything else. They would certainly be willing to offer their services in whatever capacity the City thinks best.

Sandra Morgan, City Attorney for the City of North Las Vegas, stated she knows the Council would actually have to take action to request that technical assistance. Before they take that action, she feels it is important for them to understand if there is something additional the Department of Taxation would be able to offer above and beyond the efforts that have already taken place over the last six months.

Terry Rubald responded that their staff is expert in the development of budgets and the review of budgets. Her staff could offer their assistance in that regard, in reviewing the budgets and coming up with ideas on how to mitigate expenses and enhance revenues. That has been their expertise in the past.

Chairman Leavitt agreed, particularly as it relates to the preparation of budgets and all of the detail that goes into those. They review budgets of every local government in the State every year.

Darren Adair stated that would be most appreciated. They want to come back with a solution and a viable plan. They are currently in the process and have done the projected budget and forecast model. They have also been doing their current FY 2015 budget. The senior team has been meeting with the department heads to see if they can reduce those kinds of costs. He would like to work closely with Terry and her staff for input and guidance.

Chairman Leavitt asked about the financial status of the enterprise funds. He asked Mr. Adair to discuss the continued ability of the enterprise funds to provide assistance without great increases. When they met previously, he was given the assurance that the enterprise funds were just fine, there were not any problems and they could continue, almost in perpetuity, with making these transfers without a bad situation happening. He would like to get a feel for exactly where they stand right now on the enterprise funds and the ability to continue to make the transfer as well as the financial viability of those.

Mr. Adair stated that he had expressed concerns about the health of that fund as it continues to supply a subsidy to the City of North Las Vegas general fund. Going back to the year 2000, there has been approximately $370 million taken from that fund to use in the form of a subsidy to the operating budget of the City of North Las Vegas. Obviously, over that period of time, they have become very dependent on that, and it has been very difficult to reduce that. It is not something that has happened in the last one or two years. The question in his mind is whether there is something wrong with the rate. Where is the potential problem, if you drain $370 million from a fund, and you continue to say that it is healthy? The rate models take into consideration a healthy reserve fund for the replacement at fair market value of some of the significant and aging infrastructure. It is not so much the new wastewater facility. It is not until about seven years out that they start to see the warranties expire, and the City become responsible for the replacement costs of significant pumps and membranes, etc. He has spoken with the Finance Manager for the wastewater fund, Will Riggs, on a number of occasions. They are forecasting at least $120 million of infrastructure replacement costs. They have talked about a threshold. That threshold has to do with the debt service covenants, which is 25% of the operating expenditures. That drives the rate they got on the bonds, that Mr. Johnson referred to as owning, and they had to keep that. That is essentially a three-month runway to resolve some unintended situations that the fund might find itself in. That is a really short window to put financing together. Considering other alternatives, it is considered a reasonably healthy amount of operating reserves to have. What is missing in the picture is the capital replacement reserves. If they have a model that is very conservative and assumes that the cost of debt financing of those capital structures is prohibitive, then some of the reserve policies get as conservative as one or two times the accumulated depreciation. Right now, their accumulated appreciation is about $180 million. This is a very large reserve fund. Their reserve fund would probably be in that neighborhood based upon the rate model that they continue to base their rates on. They have depleted that fund, and it is projected that even the cash reserves would be just barely above what the debt covenant would be for that fund balance. That indicates they do not have a healthy level of reserves for significant capital replacements. That being said, they work very closely with their team in the utilities department. They believe that, given the minimal staffing levels they are wanting over there, and the ideas that they have on the engineering side to extend the life of the membranes and to manage and observe the health of the mechanical components of the facilities as well as their best understanding of the infrastructure of the roads – you never know when those pipes are going to fail completely -- they kind of statistically guess. So they think there is a reasonable chance that they might be able to get themselves to 2021. In 2021, getting off of that transfer very quickly, they would start to restore health to that fund at $24 plus million a year. The situation becomes 1) The City has a challenge to get off of it by 2021, and 2) The fund itself has a challenge to make it through to 2021. They have recently engaged an independent expert in the industry of wastewater and water and utility management to do a detailed analysis and reserve study of the fund. They would be happy to share the results. Regarding the question about future rate increase, Mr. Adair stated he has concerns about the health of that fund. Over the years, they have depleted it to a level that is alarming. The reserve study shows where they need to be moving to adequately protect the vitality of the basic services to their citizens. There was discussion with someone that was fairly informed regarding this in the Nevada Revised Statutes. There was guidance that one cannot have a reserve fund that would exceed 50% of the accumulated depreciation. That is to keep someone from banking a lot of money and not using finances as a reasonable tool to manage rates. Somewhere between where they currently are and somewhere between $90 million is where they ultimately need to return the health of that fund. Meanwhile, the team is going to have to be very resourceful in managing the resources they have and support potential growth, supporting the growth up in the northern part of their City's resources, making sure that there is infrastructure and planning for that. There are challenges. The message he would like to share is that the revisions they have or the understanding they have of the financial picture there does not yield beyond the $32 million they are currently taking. It does not yield additional funds under AB503. However, with that submission, one of the items on the agenda was to address where we wanted to go with their previous submission. When he first came in, he was immediately instructed to address their compliance and their understanding of the administrative regulations and code that this body was finalizing back in November, and to understand how they would be able to completely provide a package and submission for that. The biggest hurdle was the completion of their CAFR, which they needed to indicate and understand whether they were below the 9% threshold, which they were. The second thing was to put together a responsible seven-year forecast, understanding and illustrating a plan to reduce off of the PILT by 2021. As you can see from this projection that they are submitting, it was a challenge to accomplish. If there are some other requirements to completing that package, they will proceed with providing the balance of the information. However, at this point, given the limited resources they have with staff, they feel this would be a non-productive use of time given the deadlines that they have to produce a balanced budget, as well. Mr. Adair asked for guidance again on how best they should spend their time and limited resources.

Chairman Leavitt asked the Committee for their opinion regarding a request for an additional transfer out of those funds at this immediate time.

Member Vincent responded that his biggest concern is that the projections seen so far indicate that it will be very tough to comply with bond covenant requirements, let alone the health of the fund if any substantial money was loaned out of that fund, the general fund, without any likelihood of payback anytime soon. It would have to be, in his opinion, a very compelling argument of the need for a one-time fix of something. Even then, the question becomes how does the health of the enterprise fund and its bond requirements survive through that until 2021. If there was some compelling argument for an immediate need for it, he supposes that would be maintained. That was the general concern they all felt when the City of North Las Vegas originally came with that request. It was just some of the items that were identified that could be used were utility funds.

Member Sherman concurred with Member Vincent. He would like to reserve judgment until he sees the exact plan as to how to resolve this longer-term fiscal problem before he would consider additional transfers from the utility fund. Having read through the latest audited financial statements, he did note an audit finding that gave him concern. It pertained to the reduction in staff in the finance area. The finding was the City finds itself now with insufficient finance staff to timely and accurately close its books. He would observe that to have accurate and timely financial information to implore decisions on this solution is paramount. He would ask to think long and hard about further reductions in that area. As this Committee knows and has seen time and time again, because they are not frontline service providers, it seems somewhat easy to reduce staffing in this area. In the long run, it will cause even more problems if they do not have timely and accurate financial information.

Member Clinger echoed these comments. We would have to see the same seven-year forecast for the utility funds. He is also particularly interested in the debt service payments beyond the seven-year window, because those kick in in 2019. The projections are only going through 2021. The farther out we get, the more difficult it is to forecast. The Committee has an obligation to make sure they are not taking an action that puts the City in a position where they are violating bond covenants.

Sandra Morgan asked, based on some of the discussion about Assembly Bill 503, the City's prior request or Darren Adair asking for direction on how they can utilize their limited resources, whether they should be focused on getting back with the Committee by April 15th with a plan or doing additional due diligence to see how they could comply with the administrative regulations with regard to asking for the transfer money. Part of the purpose of the request for the transfer money was to resolve the outstanding litigation with some of the parties. That was definitely a large part of why that request was being made. For the last couple of weeks, the City Council has had special meetings. They approved staff's identification of certain sources of settlement funds to resolve the litigation involving the fiscal emergency resolutions that were passed over the last two years. One of those sources that staff recommended to use for settlement would be a reduction of the City's ending fund balance from 8% to 6%. In 2011, the prior Council passed a resolution making sure that the ending fund balance would remain at 8%. In that resolution, it stated that the Committee on Local Government Finance actually recommended that percentage. The City Council will be considering a resolution in the next two weeks to reduce the ending fund balance from 8% to 6% for the sole purpose of being able to use those funds, which they are estimating to be about $2.2 million, to settle a potential liability over the litigation. They would like to know if the Committee has any thoughts regarding this one-time purpose for FY 2014-2015.

Terry Rubald responded that NAC 354.650 states if the budget provides for an ending fund balance in the general fund of less than 4% of the actual expenditures, then that is when the local government has to start providing a written explanation to the Department for taking it below that amount. The regulation says 4%.

Chairman Leavitt added that we obviously want to have a high ending fund balance if you can. If we looked at your ending fund balance now, and we took all your assets and subtracted the potential liability of this lawsuit from that, you would have a big red number right there to your fund balance. So if you can, practically speaking, do something that reduces that big red number or gets rid of it, we are not going to complain strongly about it. In reality, where we sit right now with this lawsuit, you have a negative fund balance. You might not show it on your books, and we might not show it on the financial reports, but in reality, that is where you are. Chairman Leavitt then asked for public comment.

Paul Moradkhan, Director of Government Affairs for Las Vegas Metro Chamber of Commerce, thanked the Committee for the dialogue today. It has been very transparent. As Metro Chamber, they represent businesses in North Las Vegas and this region. They believe, as the Mayor has requested of staff, the City of North Las Vegas needs time to work through these challenges and a plan to address their financial needs and issues on their own. They believe allowing the City to address these issues benefits not only our region but our entire state. The City is taking steps and proactively taking actions. The City is working with partners, reaching out to their unions and meeting with and informing the Shared Services Committee. Just yesterday, the Shared Services Committee met and discussed revenue enhancements and licensing. They believe the Mayor and his new staff are committed to addressing these issues. Even though it was a small bench, it is a talented bench of employees. The City has been transparent and been very open about the challenges they are facing.

Councilman Wade Wagner, City of North Las Vegas, thanked the Committee for taking their time in discussing these difficult issues. They have a great staff right now. Mr. Adair has been topnotch in helping them work through these financial situations and giving them forecasts. If you think of something that can help the City of North Las Vegas, please share any ideas you have.

Jeffrey Church, retired Reno police sergeant, came forward for public comment. He runs a law enforcement consulting business. He asked if there is an extreme fiscal emergency, and there is a takeover by the State, what happens to the labor contracts. He asked if they are enforceable or if a takeover nullify the contracts. He believes that is something we need to address through legal opinion.

Chairman Leavitt responded that we have already had the legal opinion on that. The labor contract is not affected by State takeover. They still remain in existence.

Terry Rubald reminded those speaking in Las Vegas to state their names for the court reporter and speak closely into the microphone.

4. For Possible Action: REPORTS ON REGULATORY MATTERS

(a) LCB File No. R082-13 – Transfers from Enterprise Fund Approval Process
(b) Reconsideration of LCB File No. R010-13 -- Heart-Lung Liability Reporting and possible approval

Terry Rubald stated the only reason that LCB File No. R082-13 is in your package is to show you the final adopted product that became effective on December 23rd when the Legislative Commission approved the adopted regulation. So we have in place the procedures for a governing body to come to you when they want approval of certain loans and transfers from enterprise funds. We were not quite so lucky with regard to LCB File No. R010-13 regarding reporting the liabilities associated with the heart-lung benefits. Although this body adopted the regulations on November 15th, and we were scheduled to be heard by the Legislative Commission in December, we ultimately withdrew the regulations from consideration at that time. It was brought to her attention that a significant number of the members of the Legislative Commission were prepared to vote against approval, and perhaps it would be best to withdraw so we could revise the regulation and resubmit it for reconsideration, which is what happened. Now she has been trying to find out what specific problems anyone had with the regulation, but has not really been able to pin it down. The only thing that has been mentioned to her is that perhaps local governments would find the requirements about an actuarial study to be too expensive. Perhaps there are others who have heard more about what concerns there are, if any. Anyway, to address the issue of expense, if it is an issue, these regulations require in Section 13 that the report filed with the Department include the total discounted estimated actuarial liability for compensation and medical benefits, separately stated for eligible persons, and the basis for the total discounted estimated actuarial liability, such as an actuarial study. Section 14 then requires the local government to report where the most recent actuarial study may be obtained and goes on to define the best practices for an actuarial valuation. She recalls specifically that this was done to provide standards for the actuarial studies, so that everyone was preparing them using the same assumptions. There is no requirement that the actuarial study be conducted annually. And, she would like to point out that in our report to you last time, about 80% of the local governments, especially the smaller governments, participate in the Public Agency Compensation Trust (PACT) actuarial study, and share the expense. In fact, that actuarial study includes other employer liabilities, and the heart-lung component is just a small part of the whole actuarial study. Perhaps these are facts that just need to be brought to the attention of the Legislative Commission. Ms. Rubald wishes she had more information for you. Perhaps it would be as simple as seeing if any local governments or recipients of the benefits have some additional concerns and addressing those; or, if there are none, to simply go forward and ask the Legislative Commission to approve.

Member Kalt stated he served on that subcommittee. It was his understanding that the actuarial firms participated in the development of these proposed regulations and assisted us in getting the standard best practices so any ambiguity that could potentially raise their fees has probably been eliminated in these proposed regulations. He would like to know if they did actually participate.

Terry Rubald responded yes. She recalled there was at least one professional actuarial firm that participated in these discussions as well as PACT, a representative from PACT.

Member Sherman added that these hearings on this particular regulation went for a period of over two years. He believes we had pretty healthy participation by local governments, employee associations, actuaries, members of the subcommittee and, of course, the full Committee. We should ask if anyone attending this meeting today has any comments or issues upon the completion of that hearing. We should then go ahead and forward this back to the Legislative Commission.

Carole Vilardo, Nevada Taxpayer's Association, stated they were very involved in this regulation, and she tried getting information but has not been able to reach some of the legislators. The legislators she did speak with do not have a problem with it. She does not know if it is a misunderstanding. Her suggestion would be to send the regulation back to the Legislative Commission with a cover letter from the Committee assuring the Legislative Commission that we have had multiple hearings, workshops, etc. She does not know what else to do since the regulation was pulled. There was not even any testimony in public comment to say any of us did or did not support it. She would be happy to send a letter at the same time. Legislative Commission meetings seem to be occurring every two months, so we may be able to get this to the next meeting.

Chairman Leavitt stated we should let the Legislative Commission know we had no opposition.

Carole Vilardo responded that there was participation by all of the affected groups. She represented taxpayers, local governments, the unions. Suggestions were accommodated and shown in regulation, and ultimately, there was absolutely no opposition. When it went to the Nevada Tax Commission, she was there. There were representatives from the union there. She cannot remember if anyone from local government was there, but there was no objection.

Wayne Carlson, Executive Director of the Public Agency Compensation Trust (PACT), stated he had feedback from some of the local government members wondering if they needed to complete Form 33. He explained to them that was his company's job. All they needed to do was read the instructions, answer questions one, two, and three, and his company would do the rest. The calls came from county managers and from some of the small local government officials. He believes it is a clear regulation in terms of what needs to be done. This is similar to OPEB. It has a lifetime liability that is hard to define but must be analyzed. We all need actuarial reports because this is potentially a big liability. North Las Vegas is self-insured. If this number is unknown, it could affect everything else you are trying to fix. The key here is for the taxpayers to know what needs to be funded and the local officials can then begin to fund those kinds of benefits that the Legislature provided, but without a tax rate. We need to have local governments put it in their planning and their budget cycles. This is what Form 33 was meant to accomplish. They have done this for their members. Their board made a decision to increase rates by 10% for every year until they got to the minimum threshold the actuarial report indicated they should have. They are still a ways away. There are a lot of governments that are on pay-as-you-go. If they have a Baby Boomer with this lifetime benefit, and they do not have the money on their current operations to pay this, they are going to have to find it within other operation budgets or other tax resources. It is a statutory obligation. In a situation like the City of North Las Vegas, that is going to be an even tougher road. He agrees we ought to move it forward because it is essential from a public policy point of view, and it is essential for the taxpayers to know what risks they are ultimately bearing.

Member Sherman moved that the Committee approve resubmitting this to the Legislative Commission with a cover letter. He stated he would be willing to work with the Department on this, to give a little bit more background and explanation of the purpose and the need for the regulation.

Member Kalt made the second motion. The motion passed.

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

(a) Report by Department regarding Ballot Templates and other Guideline Package updates

Warner Ambrose stated as a result of the 2013 Legislative Session, he made an effort to update the guideline packages. These have all been done, and what is included in the packet today is the ballot language template guideline package, which he updated with some generous assistance from Swendseid & Stern. It is now on the Department website. We have also updated the other five guideline packages. We are in the process of getting those updated packages onto the website. They are for budget augmentation, business impact statements, exempt district, medium-term obligations, and the residential construction tax. The ballot language template update is required to be updated after each session and sent to every city attorney, district attorney, county clerk and city clerk in anticipation of the election cycle.

Carole Vilardo commented there were problems with the way they were reading the ballot questions again last session. It is a frustration. She thought Mr. Ambrose may be able to go on a speaking circuit to the meetings and make sure the information went out.

Chairman Leavitt stated he assumed the problem is the district attorneys who write the questions do not actually look at them.

Carole Vilardo responded that two general elections ago when she questioned the wording on the fiscal impact of a ballot question and spoke to the clerk, she found it was the district attorney's office that wrote the fiscal impact. Maybe there needs to be a note on here to please have your fiscal department review your fiscal impact notes. In that particular one, the question had 0.6 cents. The explanation had .06 cents. It was a pretty big difference. The calculation that was done was based on the .06 cents when, actually, it was going to be a 6% increase.

Member Sherman asked if the ballot templates were a place to deal with, in an operating override, asking the voters to allow the local government to levy up to a certain penny rate for operating purposes, whether that is for hiring more police, maintaining parks, etc. Generally, those are phrased as an amount up to or amount not to exceed. Also, assuming the local government gets this passed, approved and levies the tax at the amount up to, they will have cap. Member Sherman asked if the local government would then be allowed to actually lower that rate to something other than the up-to amount allowed or even go to zero. There were some disagreements in Northern Nevada as to whether or not this is allowed. This is a legal question that we need to have answered

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

(b) Report by Department on status of Smoky Valley TV District

Warner Ambrose stated some of the rural television districts have been faced with many of their customers obtaining their own satellite dish. They are getting some resistance as far as paying the television district fees that are coming in through a translator. The Smoky Valley Televisions District was faced with this problem as well as not being able to keep board members. Pursuant to the relevant statute, the Nye County Board of County Commission has taken over the operation of that district effective January 1st. For our budget purposes, the Smoky Valley Television District no longer exists. It will be a special revenue fund within the County's budget. Mr. Ambrose wanted the Committee to be aware of this.

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

(c) For Possible Action: Report by Department on Correspondence Received from Jeff Church

Kelly Langley stated there was a letter in the exhibit packet from Mr. Jeffery Church. In the letter, he explains he has appeared at multiple CLGF meetings. In May 2013, he appeared in front of the Committee to formally request an opinion from the Attorney General. At the time, Chairman Leavitt referred him to the Attorney General, but the Attorney General’s office stated they lacked jurisdiction. In this letter in the packet today, he requests that the Committee formally look into, hold hearings, and request an Attorney General's opinion on the legality of the lifetime unfunded health care as it pertains to the City of Reno. Ms. Langley has reviewed the City of Reno audit, completed by Independent Certified Public Accountants Piercy, Bowler, Taylor and Kern and find they are in accordance with the generally-accepted auditing standards. In addition, this was the 30th consecutive year that the City of Reno has received the Certificate of Achievement for Excellence in Financial Reporting from the GFOA on that CAFR. There is a full disclosure regarding the City of Reno's OPEB funding, and the recent audit under the relevant financial policies in which they state, quote, "OPEB Funding. The City's decision to fund on pay-as-you-go costs rather than the full annual post-employment benefit OPEB costs will result in continued growth in the City's unfunded actuarial accrued liability as well as an increasing OPEB liability of between $12 and $15 million net pay-as-you-go costs each year as presented in the government-wide financial statements and proprietary fund statements. However, given the current economic environment, the City does not have the resources at this time needed to fully fund the annual OPEB cost, but efforts are being made to create an OPEB trust so amounts can be put aside to fund this growing liability." In addition, the City of Reno's most recent actuarial valuation of the OPEB program was completed as of July 2011, and it was issued as of October 2012. The City's ARC for Fiscal Year 2013 was approximately $18.8 million for which $5.8 million was funded in the form of pay-as-you-go. Approximately $61.5 million of the $76 million net OPEB obligation is attributed to the public safety function. In addition, the City of Reno recently hired a consultant to review OPEB, and the City continues to remain proactive in identifying and addressing the realities posed by the current economic situation. In summary, Ms. Langley has confirmed that the City of

Reno is properly reporting the net OPEB obligation and unfunded portion in the annual report as well as required contribution, and that is in accordance with GAAP, and is in full compliance with relevant statutes. The Department does not feel that it is necessary to request an opinion of the Attorney General's Office, but we bring this matter to your attention to see if you would like us to continue further analysis or if the Committee desires to take this issue further.

Chairman Leavitt responded that this item is similar to other items. The heart-lung liability and all of these unfunded obligations that local governments have, he does not believe are illegal. But at the same time, these are big liabilities. We have had local governments, because of the recession, have difficulty in their day-to-day operations and the funding of these long-term obligations has taken a backseat.

Member Vincent stated the other issue we have is that some of the local governments do not have any interest in subsidizing hired help. However, we do not have a choice because of legislative action for subsidizing the state or just the law that requires us to have a blended rate of retirees and actives. That in itself creates a subsidy. Prior to that, North Las Vegas had a fully-funded rate for retirees that was different for active employees.

Jeffery Church stated he was basically a concerned citizen. The problem is that the City of Reno is about to go over the cliff regardless of the reporting. The report in the exhibit packet states that by 2016, Reno will be unable to pay the debt on the lifetime healthcare that the city employees receive. That is only two years away. It needs to be dealt with now rather than waiting until we are in the same position as North Las Vegas. Reno has serious financial problems with bonds, with debts, the baseball stadium and heart-lung liability. He would also like to point out that Reno police and fire career officers are the highest-paid, the highest compensated police and fire in the nation. Not in the state, but in the nation. The lifetime medical care appears to be in conflict with the Reno City Charter. What is the harm, since this is an action item, in asking the Attorney General for a legal opinion? He does not understand why people are reluctant to address this. Reno is the only city that he has found in the State, and there are very few nationwide, that give lifetime, unfunded, uncapped healthcare to their employees, police and fire. When he retired, he was still in his 40's. The people that are now paying for his lifetime healthcare were in diapers at the time, and now they are stuck with that liability. Even though he has outside healthcare available, the City is funding that. The City has other financial issues that are about to come up. On September 28, 2014, a $13 million Fire SAFER Grant expires. Reno has applied for a new one. If we lose that $13 million, we are in an even deeper financial situation. He is asking for a legal opinion on the lifetime medical care, and he is also asking that the CLGF, if it is within their statutes, to hold hearings on Reno's ability to deal with its overall debt including, but not limited to the lifetime medical care. He has offered Reno a number of solutions that he has seen used elsewhere successfully. Reno has not even chosen to talk to him about that.

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

(d) Report by Department on 2014-2015 property tax abatement “tax cap”

Terry Rubald stated she included in the exhibit packet a history of the tax cap as applied since 2005, as well as information about how the general tax cap for properties other than residential properties is calculated. She is going to start with Page 392 and then go back to the historical data. As you know, the residential tax cap is 3%, which means that even if assessed value grows at a rate faster than 3%, the taxes cannot increase by more than 3% over the last year. For all other properties, the taxes cannot increase by more than 8%. The actual formula for all other property is the greater of the average percentage change of assessed value over the current fiscal year and the previous nine years compared to twice the annual CPI. Depending on the county’s assessed value performance over the last 10 years, each county’s general tax cap will vary. The tax cap for 2014-2015 shown on Page 392 compares the moving average growth rate in the first column to twice the CPI in the second column. Whichever is greater is placed in the fourth column and converted into a factor in the last column. As you can see, the urban counties are hovering around a 1.03 tax cap factor, while the mining counties are at the highest factor of 1.08. The moving average growth rate is primarily responsible for the lower tax cap in the urban counties. The actual average in Clark County over 10 years is 1.4% growth, which is less than half of twice the CPI, so the CPI was selected. On Pages 394 through 403, you can see the actual assessed values that were used to calculate the averages for each county. On Page 393, you will see the annual CPI growth, and she would like to draw attention especially to the year 2009, when the CPI growth rate was a negative number, a -.4%. Now turn to the history of the factor on Page 391. She wanted to show specifically what happened to Mineral County in 2010-11 because of the CPI negative growth rate for 2009. In that year, the moving average growth rate for Mineral County was one-third of one percent, or .003. Compare that to twice a negative CPI rate, the greater of the two was the moving average of .003. So Mineral County's tax cap in that year was 1.003. Even more interesting, the abatement law states that if the general tax cap turns out to be less than the residential tax cap, then the residential tax cap is also lowered to the general tax cap factor. So, in 2010-11, all property in Mineral County had a tax cap factor of 1.003. The economy and the subsequent downturn in assessed value have been particularly felt in the urban counties. In the mining counties, during that same period, gold prices were at an all-time high, and since net proceeds are included in the total assessed value, the moving average assessed value in mining counties, in most cases, went up. When the abatement started in 2005-06, Clark County had a moving average assessed value of 12.6%, while White Pine had a moving average assessed value of a negative 2.5% (recall that that was the year that White Pine County went into severe financial emergency). Now their roles are reversed, and Clark County has a moving average of 1.4%, while White Pine has a moving average of 22.2%. She would like to draw attention back to Page 395 where you see the moving average for Clark County. Of course, we do not know what the growth rate will be for the next year, but we do know that the 2006-2007 rate of 38.9% will drop off, and what will be left will be all the downturn years. So, the average percent change could go even lower than the current rate of 1.4%. She certainly does not expect the CPI to be negative, but if it did go negative in the same year as a negative growth rate, that would ensure that all taxes remain flat.

Chairman Leavitt stated he did not think any of us that were involved in that process had any idea that we would see a decrease in assessed valuation in this way. It will be decades before we are going to get back to where we were in 2005. A review and some change needs to be made if we are going to have property taxes as a major source of revenue again for operating purposes. Terry Rubald agreed.

Member Vincent stated that we seem to have resurrected the local government finance working group that studied the consolidated tax issues back in the 2013 session. He would like to reach out again to all of the financial folks that might be interested in doing that much the same way that we did in 2013 with both north and south meetings using a planned analysis to help us with the database. We would be doing some analysis pre and post and during the bubble burst and the current recovery. Hopefully some solutions will come out of this that can be good for everybody, including the taxpayer, but also allow the local governments to recover from that precipitous drop.

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

e) Report by Department on status of request for subcommittee to review criteria for determination of status as a local government

Terry Rubald apologized and stated we have not given the data to the Subcommittee Chairman, Mary Walker. We are currently working on getting good information on what we currently consider to be local governments and other background information. This is a very important issue.

Chairman Leavitt stated that we will defer this to a future meeting.

March 7, 2014

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

(f) For Possible Action: Discussion by Committee Regarding Matters Affecting the Committee
1) Election of Vice-Chairman to replace Vice-Chairman Alastuey

Chairman Leavitt stated he would like to recommend John Sherman be appointed as the new vice chairman. He has been very active on the Committee for a long time and the chairman of a number of subcommittees.

Member Kalt moved to appointment John Sherman as the vice chairman with a second from Member Clinger. The motion passed.

Vice Chairman Sherman thanked the Committee.

6. REVIEW AND APPROVAL OF MINUTES

For Possible Action: CLGF Meeting -- November 15, 2013

Vice Chairman Sherman moved to approve the minutes as written with a second from Member Kohn-Cole. The motion passed.

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

Member Leavitt stated we have been talking today about scheduling a meeting sometime after the submission of tentative budgets by North Las Vegas. We should schedule a meeting fairly soon after the tentative budget so if we feel a need to move forward with a severe financial emergency at that time, we have the ability to do that fairly expeditiously. April 24^{th} or 25^{th} were recommended.

Member Kalt stated he had a conflict on these days.

Chairman Leavitt suggested we try for April 25^{th}.

Terry Rubald stated she would send an e-mail to make sure we have a quorum and arrange for a meeting room.

8. Public Comment

Member Sherman suggested, as an agenda item for the next meeting, that we discuss moving forward with reviewing the severe financial emergency statute. The Committee may want to amend the statute.

Mark Joseph Phillips, Storey County resident, came forward for public comment. He stated he was very interested in having the subcommittee review criteria for determining the status of local government, in particular, the Storey County Fair and Recreation Board. They cannot decide what their real name is, and they cannot decide whether they are going to file their own budget or file their budget with the County. He believes it would be good to clear that up. He thanked the Committee for their time.

Chairman Leavitt stated the subcommittee is going to be working on that very subject. He suggested that Mr. Phillips participate in those meetings.

9. For Possible Action: ADJOURNMENT

The meeting was adjourned at 12:40 p.m.