

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

LCB File No. R007-12

April 10, 2012

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

AUTHORITY: §§1-12, NRS 354.107, 354.594 and 354.613; §13, NRS 354.107, 354.594, 354.59891 and 354.613.

A REGULATION relating to local government financial administration; prescribing standards for the allocation of certain expenses of a local government to an enterprise fund; and providing other matters properly relating thereto.

Section 1. Chapter 354 of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 12, inclusive, of this regulation.

Sec. 2. *As used in sections 2 to 12, inclusive, of this regulation, unless the context otherwise requires, the words and terms defined in sections 3 to 9, inclusive, of this regulation have the meanings ascribed to them in those sections.*

Sec. 3. *“Applicable credits” means those receipts or other credits which apply to offset or reduce any items of expense that are allocable to an enterprise fund, such as, without limitation, the return of a product.*

Sec. 4. *“Central service cost allocation plan” means the documentation of a local government that identifies, accumulates, allocates or develops billing rates for the allocation of the cost of services and property provided by the local government on a centralized basis to its departments, agencies and enterprise funds.*

Sec. 5. *“Cost” means the amount of cost as determined on a cash basis, an accrual basis or any other basis in accordance with generally accepted accounting principles.*

Sec. 6. *“Direct cost” means a cost incurred by a department, an agency or an enterprise fund of a local government for services or property specifically associated with and used by that department, agency or enterprise fund, such as the rental charged to a specific department, agency or enterprise fund for its particular use of a building.*

Sec. 7. *“Indirect costs” means costs incurred for a common or joint purpose that benefits more than one cost objective, such as, without limitation, general overhead costs that are not directly linked to a specific program.*

Sec. 8. *“Payments in lieu of taxes” means payments that:*

- 1. Are made to a local government to help offset losses in property taxes;*
- 2. Can be independently determined and verified; and*
- 3. Relate to specific property taxes.*

Sec. 9. *“Reasonable cost” means a cost which, in its nature and amount, does not exceed the cost that would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.*

Sec. 10. *Sections 11 and 12 of this regulation do not apply to a local government:*

- 1. That does not have any enterprise funds; or*
- 2. To which subsection 1 of NRS 354.613 does not apply.*

Sec. 11. *Except as otherwise limited by the provisions of this section and section 12 of this regulation, the central service cost allocation plan of a local government:*

- 1. May include costs for services and property that are payable from the general fund or any internal service funds or other funds of the local government.*

2. Must be limited to indirect costs for services and property provided by the local government on a centralized basis, which may include, without limitation, general administrative costs, planning costs, budgeting costs, payroll costs, legal costs, legislative costs, and costs for general ledger accounting, internal audits, the administration of accounts payable, human resources, general services, emergency services, public relations, public works, property management, building and grounds maintenance, procurement and contracts, grants management, risk management, a motor pool, road maintenance, water and sewer service, telecommunications, automatic data processing services, printing, maintaining a library, records maintenance, storage and warehousing, and animal control.

3. Must not include any transfers of franchise fees, payments in lieu of taxes made for the use of any rights-of-way, payments for debt service or any direct costs which are billable directly to a specific department, agency or enterprise fund of the local government.

4. May be based upon audited historical data or budget data. The determination of which data to use must anticipate any expected program changes for the coming year that would not be reflected in historical data.

5. May allocate costs in any manner that:

(a) Provides for an equitable distribution of general, overhead, administrative and similar costs of the local government; and

(b) Allocates to an enterprise fund only costs for services and property that are assignable or chargeable to the cost objective of the enterprise fund.

6. Must include a description of the methodology used to determine the allocation of costs and a schedule of the current billing rates for those costs.

7. Must be updated annually before:

(a) The date on which the local government submits its tentative budget to the Department;
or

(b) If the local government is exempt from the requirement to submit a tentative budget to the Department, the date on which the local government submits its final budget to the Department.

Sec. 12. 1. *The costs which may be allocated to an enterprise fund of a local government pursuant to paragraph (c) of subsection 1 of NRS 354.613 must be reasonable costs and include only the amounts remaining after the deduction of any applicable credits. The costs must also be:*

(a) Necessary and reasonable for the proper and efficient administration and performance of the enterprise fund;

(b) Consistent with policies, regulations and procedures that apply uniformly to the enterprise fund and other activities of the local government;

(c) Determined in accordance with generally accepted accounting principles; and

(d) Documented adequately for independent verification.

2. *In determining whether a cost is a reasonable cost for the purposes of subsection 1, consideration must be given to:*

(a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the enterprise fund;

(b) Whether the cost is consistent with sound business practices, the indicia of an arm's length transaction, and the requirements and restraints imposed by state laws and regulations;

(c) The market prices for comparable services or property;

(d) Whether the persons incurring the cost acted with prudence under the circumstances considering their responsibilities to each pertinent governmental unit and its employees, and to the general public; and

(e) Any significant deviations from the established practices of the local government that may have unjustifiably increased the cost.

Sec. 13. NAC 354.855 is hereby amended to read as follows:

354.855 1. In accordance with paragraph ~~[(d)]~~ (e) of subsection 4 of NRS 354.59891 ~~[(d)]~~ *and except as otherwise limited by sections 2 to 12, inclusive, of this regulation*, the following direct and indirect costs of a program for the issuance of building permits are permissible expenditures from the enterprise fund created exclusively for building permit fees:

- (a) Issuance of building permits;
- (b) Review of the plans for development of the site, including, without limitation, grading of the property;
- (c) Review of the plans for conformance with zoning ordinances and regulations;
- (d) Review of the plans for and inspection of:
 - (1) A building or structure, including, without limitation, the mechanical, electrical and plumbing systems and the structural components of the building or structure;
 - (2) A permanent ride or structure that carries passengers over a fixed or restricted route primarily for the amusement of passengers;
 - (3) A system designed primarily for the transportation of passengers over a restricted course, including, without limitation, a monorail;
 - (4) The installation of manufactured homes and manufactured buildings; and
 - (5) Outdoor advertising signs, displays and devices;

(e) Administration of and support activities for the program; and

(f) Inspection of a building or structure after a disaster.

2. A local government that has created an enterprise fund for building permit fees:

(a) Shall not collect as a portion of a building permit fee a fee for any inspection activities that are provided by another local governmental entity for which an inspection fee has been collected.

(b) May collect fees and taxes for other governmental entities at the time a building permit is issued. The local government shall remit any fees and taxes collected for another local governmental entity to that entity at least once each month on a date agreed to by the local government and the entity, and unless otherwise authorized by statute or local ordinance, may not retain any part of the fees or taxes as a collection or administrative fee.

3. As used in this section:

(a) “Building permit” has the meaning ascribed to it in paragraph (b) of subsection 1 of NRS 354.59891.

(b) “Building permit fee” has the meaning ascribed to it in paragraph (d) of subsection 1 of NRS 354.59891.

(c) “Inspection” means an examination of a building or structure, or the components of a building or structure, to determine compliance with local building and fire codes and regulations.