

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

**LCB File No. R082-13**

October 7, 2013

**Amendments from Workshop Held October 15, 2013**

EXPLANATION – Matter in *italics* is new; matter in brackets ~~[omitted material]~~ is material to be omitted; amendments from workshop in **GREEN CAPS**.

AUTHORITY: §§1-7, NRS 354.107, 354.594 and section 1 of Assembly Bill No. 503, chapter 461, Statutes of Nevada 2013, at page 2710 (NRS 354.6135).

A REGULATION relating to local financial administration; establishing the process by which the governing body of a local government may apply for approval of certain loans and transfers from enterprise funds; 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 6, inclusive, of this regulation.

**Sec. 2.** *The governing body of a local government may, pursuant to section 1 of Assembly Bill No. 503, chapter 461, Statutes of Nevada 2013, at page 2710 (NRS 354.6135), submit an application to the Committee for approval of a loan or transfer of money from an enterprise fund, money collected from fees imposed for the purpose for which an enterprise fund was created or any income or interest earned on money in an enterprise fund. An application for approval of a loan or transfer submitted pursuant to this section must be made on a form prescribed by the Committee and include the following information:*

- 1. A copy of the resolution of the local government which sets forth:
  - (a) The amount of the loan or transfer and the repayment period;*
  - (b) A description of the purpose for which the loan or transfer will be used; and**

*(c) A description of the service or services previously provided by the local government that will be restored if the loan or transfer is approved, and the effect such approval will have on service levels in future years.*

*2. A written declaration by the governing body of the local government stating that:*

*(a) Approval of the loan or transfer will not harm the financial viability of the enterprise fund from which the loan or transfer will be made; and*

*(b) The governing body will take whatever action is necessary to preserve the financial viability of the enterprise fund from which the loan or transfer will be made.*

*3. A description of all accounts and records relating to the purpose for which the loan or transfer will be used, including the actual proposed use of the money from the loan or transfer if the loan or transfer is approved, and how such accounts and records will be maintained separately from other funds for auditing purposes.*

*4. A copy of the report of the annual audit prepared pursuant to NRS 354.624 for the fiscal year immediately preceding the year in which the application for approval of the loan or transfer is made.*

*5. An analysis showing whether the ending fund balance of the general fund of the local government at the end of the immediately preceding fiscal year was less than 9 percent of the total expenditures, ~~[excluding any transfers of money from the general fund]~~, of the local government from the general fund during that fiscal year. **THE TOTAL EXPENDITURES USED IN THE ANALYSIS MUST EXCLUDE ANY TRANSFERS OF MONEY FROM THE GENERAL FUND, EXCEPT TRANSFERS FOR DEBT SERVICE AND GRANT MATCHING.***

*6. Documentation showing that the local government has, during each of the 5 fiscal years immediately preceding June 10, 2013, loaned or transferred money from an enterprise fund, money collected from fees imposed for the purpose for which an enterprise fund was created or any income or interest earned on money in an enterprise fund. The documentation*

*must include, at a minimum, records showing the amount of each individual loan or transfer from an enterprise fund in each of the 5 fiscal years, along with the cumulative total of the amounts loaned or transferred within that time.*

*7. For each fiscal year through June 30, 2021, projections of all revenues, expenditures, sources, uses and liabilities, including, without limitation, liabilities resulting from loans and transfers, associated with:*

*(a) Any governmental fund that is authorized to receive taxes under the laws of this State; ~~[including, without limitation, enterprise funds; and]~~*

*(b) ENTERPRISE FUNDS; AND*

*(c) Any ~~[internal service]~~ fund for which there are long-term liabilities.*

*8. A list of all assumptions on which the projections described in subsection 7 are based.*

*9. A statement showing how the local government will inform the public about the effects of the loan or transfer on the enterprise fund, including, without limitation, any changes in rates, the fund balance and future capital expenditures. The information described in this subsection is subject to public disclosure and must also be separately provided in the form of a notice which is transmitted directly to each person residing within the jurisdiction of the local government.*

*10. A copy of the resolution establishing the enterprise fund from which the loan or transfer will be made, including any amendments thereto.*

*11. A copy of the fee schedule for the enterprise fund from which the loan or transfer will be made.*

*12. A copy of the most recent report of indebtedness required to be submitted by the local government pursuant to NRS 354.6025, updated to the current quarter and separately*

Comment [TER1]:

Comment [TER2]:

*identifying the indebtedness of the enterprise fund from which the loan or transfer will be made.*

*13. A list showing any bonds that have been issued for the enterprise fund from which the loan or transfer will be made and indicating whether the bonds are general obligation bonds or revenue bonds, the amounts, the issue dates, the schedules of payment and payment terms, including whether any balloon payments are required.*

*14. Any additional information the Committee may require.*

**Sec. 3.** *An application for approval of a loan or transfer of money from an enterprise fund, money collected from fees imposed for the purpose for which an enterprise fund was created or any income or interest earned on money in an enterprise fund must include, in addition to the information required pursuant to section 2 of this regulation:*

*1. A statement indicating whether the local government has made a transfer pursuant to subsection 1 of NRS 354.613 and, if so, documentation showing that any transfer from an enterprise fund to the general fund of the local government for the purpose of subsidizing the general fund of the local government did not result in a violation of paragraph (a) or (b) of subsection 9 of NRS 354.613.*

*2. If applicable, a copy of the plan required to be filed with the Department pursuant to subsection 10 of NRS 354.613, revised to show the manner in which:*

*(a) All transfers from an enterprise fund, including any transfer applied for pursuant to section 2 of this regulation, will be eliminated on or before the fiscal year beginning on July 1, 2021; and*

*(b) Any expenditures of the general fund that are intended to be paid by any transfer applied for pursuant to section 2 of this regulation will be funded upon the elimination of such transfer on or before the fiscal year beginning on July 1, 2021.*

**Sec. 4.** *The Committee will, before approving an application submitted pursuant to section 2 of this regulation, consider whether:*

*1. The governing body of the local government is eligible for approval pursuant to the requirements set forth in section 1 of Assembly Bill No. 503, chapter 461, Statutes of Nevada 2013, at page 2710 (NRS 354.6135).*

*2. The governing body of the local government has not previously been in noncompliance of any provision of NRS 354.613, 354.626 or section 1 of Assembly Bill No. 503, chapter 461, Statutes of Nevada 2013, at page 2710 (NRS 354.6135).*

*3. The governing body of the local government has reduced levels of service, caused layoffs or closed any public facility.*

*4. Any special revenue fund has experienced a materially adverse condition, including, without limitation:*

*(a) A substantial decline in major sources of tax revenue, including, without limitation, property tax or allocations from the Local Government Tax Distribution Account; or*

*(b) An inability to repay debt or insufficient cash to meet required payments for payroll, worker's compensation, **PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)**, or payroll taxes in a timely manner.*

*5. The financial viability of the enterprise fund from which the loan or transfer will be made would be adversely affected.*

*6. The local government has the ability to repay a loan or eliminate a transfer and thereafter continue to maintain its functions and activities.*

**Sec. 5. 1.** *The Committee may deny or withhold approval of an application submitted pursuant to section 2 of this regulation if it makes any of the following findings:*

*(a) The financial viability of the enterprise fund from which the loan or transfer will be made or the local government, as a whole, would be materially harmed by the loan or transfer;*

*(b) The governing body of the local government has previously been in noncompliance of any provision of NRS 354.613, 354.626 or section 1 of Assembly Bill No. 503, chapter 461, Statutes of Nevada 2013, at page 2710 (NRS 354.6135);*

*(c) The governing body of the local government has demonstrated an inability to properly control or manage its finances; or*

*(d) The application is based on unlikely assumptions or contains information that is incomplete, inaccurate, unreliable or unverifiable.*

**2.** *Upon written request from the governing body of a local government, the Committee will schedule a hearing on the application at the next meeting of the Committee, but in any event not later than 45 days after receipt of the request by the Committee.*

**3.** *The approval of an application by the Committee will be contingent upon a budget augmentation by the local government pursuant to NAC 354.400 to 354.490, inclusive, and the submission of the following information:*

*(a) A description of the source and amount of new revenue to be augmented or the underperforming revenue source that the loan or transfer is intended to replace; and*

*(b) A description of how the money from the loan or transfer will be used.*

**Sec. 6. 1.** *The governing body of a local government that loans or transfers any money after obtaining approval of an application submitted pursuant to section 2 of this regulation shall submit a quarterly report to the Committee. Each report must be submitted within 45*

*days after the end of each calendar quarter and include, at a minimum, the following information:*

*(a) A statement indicating whether the transaction on which the report is based is a loan or a transfer and, if the transaction is a loan, a copy of the loan agreement;*

*(b) The date on which the loan or transfer was made;*

*(c) The amount of the loan or transfer;*

*(d) A description of the fund into which the proceeds of the loan or transfer are placed;*

*(e) The purpose of the loan or transfer and a description of the service to be funded or claim to be paid from the proceeds of the loan or transfer;*

*(f) A summary description of any increase in a fee imposed by the local government for the benefit of the enterprise fund during the immediately preceding fiscal year or the prior reporting period, whichever is applicable, including the amount of the increase and a copy of the resolution approving the increase;*

***(g) A SUMMARY DESCRIPTION OF ANY INCREASE IN A FEE IMPOSED BY THE LOCAL GOVERNMENT IN ANY PRIOR FISCAL YEAR WHICH TAKES EFFECT IN THE CURRENT FISCAL YEAR, INCLUDING THE AMOUNT OF THE INCREASE AND A COPY OF THE RESOLUTION APPROVING THE INCREASE;***

~~*(g)*~~ ***(H)*** *A summary description of any change in salaries or benefits paid to employees of the local government during the immediately preceding fiscal year or the prior reporting period, whichever is applicable, in accordance with existing collective bargaining agreements or any action taken by the governing body of the local government with respect to employees who are not members of an employee organization as defined in NRS 288.040;*

~~*(h)*~~ ***(I)*** *An explanation of how any service restored by the loan or transfer will be maintained in future years, including an identification of the revenue stream that will be used to support any such service;*

~~[(j)]~~ (J) *A description of any amendments to the resolution which established the enterprise fund;*

~~[(k)]~~ (K) *A copy of the most recent report of indebtedness required to be submitted by the local government pursuant to NRS 354.6025, updated to the current quarter and separately identifying the indebtedness of the enterprise fund from which the loan or transfer was made;*

~~[(l)]~~ (L) *For the first quarter after the report of the annual audit prepared pursuant to NRS 354.624 has been submitted to the governing body of the local government, a comparison of each final budgeted general fund revenue and expenditure against the actual revenue and expenditure;*

~~[(m)]~~ (M) *An explanation for any variance between the final budgeted and actual amounts described in paragraph (k) exceeding 5 percent;*

~~[(n)]~~ (N) *The name, telephone number, facsimile number, mailing address and electronic mail address of the person who prepared the report pursuant to this section;*

~~[(o)]~~ (O) *A certification by the person who prepared the report pursuant to this section stating that to the best of his or her knowledge and belief the information submitted is true and accurate; and*

~~[(p)]~~ (P) *The signature of the person who prepared the report pursuant to this section, his or her official title and the date on which the report was prepared.*

2. *If the governing body of a local government fails or refuses to submit a completed quarterly report in accordance with this section or is otherwise habitually late in submitting the reports, the Committee may:*

*(a) Revoke approval of any loan or transfer that has not yet been made; and*

*(b) Deny approval of any future application submitted pursuant to section 2 of this regulation.*

**Sec. 7.** This regulation expires by limitation on June 30, 2017.