

(REPRINTED WITH ADOPTED AMENDMENTS)
FIRST REPRINT S.B. 123

SENATE BILL NO. 123—COMMITTEE ON GOVERNMENT AFFAIRS

(ON BEHALF OF THE INTERIM STUDY CONCERNING DISTRIBUTION
AMONG LOCAL GOVERNMENTS OF REVENUE FROM
STATE AND LOCAL TAXES (NRS 218.53881))

FEBRUARY 13, 2001

Referred to Committee on Government Affairs

SUMMARY—Makes various changes concerning municipal obligations and procedures of debt management commissions. (BDR 30-699)

FISCAL NOTE: Effect on Local Government: No.
 Effect on the State: No.

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

AN ACT relating to municipal obligations; requiring a municipality to notify certain entities before incurring general obligation debt or levying a special elective tax under certain circumstances; requiring a debt management commission to resolve conflicts between certain municipalities over the use of any remaining allowable increase of property taxes and authorizing the establishment of certain methods relating thereto; authorizing a debt management commission to establish a procedure for allowing a municipality to reserve a percentage of the remaining allowable increase of property taxes within a certain geographical area; revising the duties of the debt management commission relating to consideration of a proposal to incur general obligation debt or levy a special elective tax, and amending the conditions pursuant to which the debt management commission is authorized to grant approval of such a proposal; revising the duties of a municipality with regard to filing and amending statements of current and contemplated general obligation debt and special elective taxes; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 **Section 1.** Chapter 350 of NRS is hereby amended by adding thereto
2 the provisions set forth as sections 2 and 3 of this act.
3 **Sec. 2.** *At the annual meeting in July required by NRS 350.003, the*
4 *commission shall:*
5 1. *Specify a percentage, which must not be less than 75 percent, for*
6 *the purposes of paragraph (d) of subsection 1 of NRS 350.0051; and*



1 2. *Establish priorities among essential and nonessential facilities and*
2 *services for the purposes of paragraph (d) of subsection 1 of NRS*
3 *350.0051. Facilities and services relating to public safety, education and*
4 *health must be considered essential facilities and services, and all other*
5 *facilities and services must be considered nonessential facilities and*
6 *services.*

7 **Sec. 3.** 1. *Before a municipality may submit to the commission a*
8 *proposal that will result in an increase in the rate of property taxes, the*
9 *municipality shall:*

10 (a) *Determine whether there is an affected governmental entity; and*
11 (b) *If there is an affected governmental entity, provide written*
12 *notification to the affected governmental entity.*

13 2. *A notification sent pursuant to subsection 1 must include, without*
14 *limitation, a description of:*

15 (a) *The proposal and the estimated amount the proposal would*
16 *increase property taxes; and*

17 (b) *The potential effect of the increase on the entity.*

18 3. *The governing body of an entity that receives a notification*
19 *pursuant to subsection 1 shall, by resolution, approve or object to the*
20 *proposal described in the notice. If the entity approves the proposal, the*
21 *entity must state in the resolution approving the proposal that the entity*
22 *has no intent to levy property taxes which, if combined with the increase*
23 *proposed in the proposal, would cause the combined property tax rate for*
24 *the area containing the municipality and the entity to exceed the*
25 *limitation on property taxes set forth in NRS 361.453.*

26 4. *If an entity objects to a proposal pursuant to subsection 3, the*
27 *municipality which provided notice pursuant to subsection 1 shall*
28 *provide the commission with notification in writing of the objection and*
29 *the entity's reasons for objecting when submitting the proposal to the*
30 *commission pursuant to NRS 350.004.*

31 5. *If the commission receives a proposal to which an objection has*
32 *been raised pursuant to subsection 3, the commission shall resolve any*
33 *conflict between the municipality and the entity over the use of the*
34 *remaining allowable increase in property taxes and determine whether to*
35 *approve, in whole or in part, or reject the increase in property taxes set*
36 *forth in the proposal.*

37 6. *In resolving a conflict pursuant to subsection 5, the commission*
38 *may impose:*

39 (a) *A condition or provision described in subsection 2 of NRS*
40 *350.005; and*

41 (b) *A condition that:*

42 (1) *The amount of the general obligation debt proposed to be*
43 *imposed must be reduced;*

44 (2) *The rate of the special elective tax must be reduced; or*

45 (3) *Both subparagraphs (1) and (2).*

46 7. *The commission may establish:*

47 (a) *A method for resolving conflicts over the unlevied amount of*
48 *property taxes that may be levied pursuant to NRS 354.59811;*



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- 1 **(b) A method for determining the highest and best use of the unlevied**
2 **amount of property taxes that may be levied pursuant to NRS 354.59811,**
3 **which must be based upon a comparison of the public needs to be served**
4 **by the proceeds from the proposed debt or tax levy in a proposal**
5 **submitted pursuant to NRS 350.004 and the public needs to be served by**
6 **other possible debts or tax levies by other municipalities whose tax-**
7 **levying powers overlap; and**
8 **(c) A procedure for allowing a municipality that does not levy the**
9 **maximum amount of property taxes which it may levy pursuant to NRS**
10 **354.59811 to reserve a percentage of the remaining allowable increase of**
11 **property taxes for use in the future and a procedure for determining**
12 **whether to grant such a reservation. If established, such procedures**
13 **must:**
14 **(1) Allow all municipalities whose tax-levying powers may be**
15 **affected by such a reservation to enter objections to such a reservation;**
16 **and**
17 **(2) Provide a method for resolving conflicts over the remaining**
18 **allowable increase of property taxes between municipalities whose tax-**
19 **levying powers overlap, which must be based upon the highest and best**
20 **use for the remaining allowable increase of property taxes.**
21 **8. This section does not apply to any proposal that is not expected to**
22 **result in an increase in the rate of property taxes in any jurisdiction.**
23 **9. As used in this section:**
24 **(a) "Affected governmental entity" means a governmental entity:**
25 **(1) That has territory which overlaps the territory of the**
26 **municipality proposing the special elective tax or general obligation debt;**
27 **(2) That is currently not levying the maximum rate of property**
28 **taxes which it may levy pursuant to NRS 354.59811; and**
29 **(3) For which the total combined tax rate levied on the overlapping**
30 **territory would exceed the limit set forth in NRS 361.453 if the current**
31 **combined tax rate levied on the overlapping territory is added to:**
32 **(I) The tax rate projected for the special elective tax or general**
33 **obligation debt being proposed by the municipality; and**
34 **(II) The unlevied amount of property taxes that currently may be**
35 **levied by the governmental entity pursuant to NRS 354.59811.**
36 **(b) "Remaining allowable increase of property taxes" means the**
37 **difference between the tax rate allowed for a municipality in the current**
38 **fiscal year pursuant to NRS 354.59811 minus the tax rate levied by the**
39 **municipality in the current fiscal year.**
40 **Sec. 4. NRS 350.001 is hereby amended to read as follows:**
41 350.001 As used in NRS 350.001 to 350.006, inclusive, **and sections 2**
42 **and 3 of this act,** unless the context otherwise requires:
43 1. "Commission" means a debt management commission created
44 pursuant to NRS 350.002.
45 2. "General obligation debt" means debt which is legally payable from
46 general revenues, as a primary or secondary source of repayment, and is
47 backed by the full faith and credit of a governmental entity. The term
48 includes debt represented by local government securities issued pursuant to



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1 this chapter except debt created for medium-term obligations pursuant to
2 NRS 350.085 to 350.095, inclusive.

3 3. "Special elective tax" means a tax imposed pursuant to NRS
4 354.59817, 354.5982, 387.197, 387.3285 or 387.3287.

5 **Sec. 5.** NRS 350.0035 is hereby amended to read as follows:

6 350.0035 1. Except as otherwise provided in this section, on or
7 before July 1 of each year, the governing body of a municipality which
8 proposes to issue or has outstanding any general obligation debt, other
9 general obligations or special obligations, or which levies or proposes to
10 levy any special elective tax, shall submit to the department of taxation and
11 the commission:

12 (a) A complete statement of current ~~and contemplated~~ general
13 obligation debt and special elective taxes, and a report of current ~~and~~
14 ~~contemplated~~ debt and special assessments and retirement schedules, in
15 the detail and form established by the committee on local government
16 finance.

17 (b) *A complete statement, in the detail and form established by the*
18 *committee on local government finance, of general obligation debt and*
19 *special elective taxes contemplated to be submitted to the commission*
20 *during the fiscal year.*

21 (c) A written statement of the debt management policy of the
22 municipality, which must include, without limitation:

23 (1) A discussion of its ability to afford existing general obligation
24 debt, authorized future general obligation debt and proposed future general
25 obligation debt;

26 (2) A discussion of its capacity to incur authorized and proposed
27 future general obligation debt without exceeding the applicable debt limit;

28 (3) A discussion of its general obligation debt that is payable from
29 ~~ad valorem~~ *property* taxes per capita as compared with such debt of other
30 municipalities in this state;

31 (4) A discussion of its general obligation debt that is payable from
32 ~~ad valorem~~ *property* taxes as a percentage of assessed valuation of all
33 taxable property within the boundaries of the municipality;

34 (5) Policy regarding the manner in which the municipality expects to
35 sell its debt;

36 (6) A discussion of its sources of money projected to be available to
37 pay existing general obligation debt, authorized future general obligation
38 debt and proposed future general obligation debt; and

39 (7) A discussion of its operational costs and revenue sources, for the
40 ensuing 5 fiscal years, associated with each project included in its plan for
41 capital improvement submitted pursuant to paragraph ~~(e)~~ *(d)*, if those
42 costs and revenues are expected to affect the *property* tax rate.

43 ~~(e)~~ *(d)* Its plan for capital improvement for the ensuing ~~3~~ *5* fiscal
44 years, which must include any contemplated issuance of general obligation
45 debt during this period and the sources of money projected to be available
46 to pay the debt.

47 ~~(d)~~ *(e)* A statement containing the name, title, mailing address and
48 telephone number of the chief financial officer of the municipality.



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1 2. The governing body of a municipality may combine a statement or
2 plan required by subsection 1 with the corresponding statement or plan of
3 another municipality if both municipalities have the same governing body
4 or the governing bodies of both municipalities agree to such a combination.
5 3. ~~{The}~~ *Except as otherwise provided in subsection 4, the* governing
6 body of each municipality shall update all statements and plans required by
7 subsection 1 not less frequently than ~~{annually}~~ *once each fiscal year.*
8 4. *In a county whose population is 100,000 or more, the governing*
9 *body of each municipality shall update all statements and plans required*
10 *by subsection 1 not less often than once each fiscal year and not more*
11 *often than twice each fiscal year, except that a municipality may update a*
12 *statement or plan required by subsection 1 more often than twice each*
13 *fiscal year:*
14 *(a) If the governing body determines, by a two-thirds vote, that an*
15 *emergency requires that a statement or plan be updated;*
16 *(b) To include an item related to:*
17 *(1) An installment purchase that does not count against a debt*
18 *limit; or*
19 *(2) An obligation for which no additional property tax is expected;*
20 *(c) To update the purpose of a special elective tax without changing*
21 *the rate of the special elective tax; or*
22 *(d) To comply with the requirements of subsection 5 of NRS 268.625*
23 *or subsection 1 of NRS 350.091.*
24 5. The provisions of this section do not apply to the Airport Authority
25 of Washoe County so long as the authority does not have any general
26 obligation bonds outstanding and does not issue or propose to issue any
27 such bonds. At least 30 days before each annual meeting of the
28 commission, the authority shall submit to the department of taxation a
29 written statement regarding whether the authority is planning to propose to
30 issue any general obligation bonds before the next following annual
31 meeting of the commission.
32 **Sec. 6.** NRS 350.004 is hereby amended to read as follows:
33 350.004 1. Before any proposal to incur a general obligation debt or
34 levy a special elective tax may be submitted to the electors of a
35 municipality, before any issuance of general obligation bonds pursuant to
36 subsection 4 of NRS 350.020 or before any other formal action may be
37 taken preliminary to the incurrence of any general obligation debt, the
38 proposed incurrence or levy must receive the favorable vote of two-thirds
39 of the members of the commission of each county in which the
40 municipality is situated.
41 2. Before the board of trustees of a district organized or reorganized
42 pursuant to chapter 318 of NRS whose population within its boundaries is
43 less than 5,000, borrows money or issues securities to evidence such
44 borrowing, other than securities representing a general obligation debt, the
45 proposed borrowing or issuing of securities must receive the favorable vote
46 of a majority of the members of the commission of each county in which
47 the district is situated.
48 3. When any municipality other than a general improvement district
49 whose population within its boundaries is less than 5,000, issues any



1 special obligations, it shall so notify in its annual report the commission of
2 each county in which any of its territory is situated.

3 4. The commission shall not approve any proposal submitted to it
4 pursuant to this section by a municipality:

5 (a) Which, if the proposal is for the financing of a capital improvement,
6 is not included in its plan for capital improvement submitted pursuant to
7 NRS 350.0035, if such a plan is required to be submitted; ~~for~~

8 (b) If, based upon:

9 (1) Estimates of the amount of tax revenue from ~~ad-valorem~~
10 *property* taxes needed for the special elective tax, or to repay the general
11 obligation debt, and the dates that revenue will be needed, as provided by
12 the municipality;

13 (2) Estimates of the assessed valuation of the municipality for each of
14 the years in which tax revenue is needed, as provided by the municipality;

15 (3) The amount of any other required levies of ~~ad-valorem~~ *property*
16 taxes, as shown on the most recently filed final budgets of each entity
17 authorized to levy ~~ad-valorem~~ *property* taxes on any property within the
18 municipality submitting the proposal; and

19 (4) Any other factor the municipality discloses to the
20 commission,

21 the proposal would result in a combined property tax rate in any of the
22 overlapping entities within the county which exceeds the limit provided in
23 NRS 361.453, unless the proposal also includes an agreement *which*
24 *complies with NRS 361.457 and which is* approved by the governing
25 bodies of all affected municipalities within the area as to how the combined
26 property tax rates will be brought into compliance with the statutory
27 limitation ~~+~~

28 ~~5. If ; or~~

29 *(c) If, based upon the factors listed in subparagraphs (1) to (4),*
30 *inclusive, of paragraph (b), the proposal will affect the ability of an*
31 *affected governmental entity to levy the maximum amount of property*
32 *taxes that it may levy pursuant to NRS 354.59811, unless:*

33 *(1) The proposal includes a resolution approving the proposal*
34 *pursuant to subsection 3 of section 3 of this act from each affected*
35 *governmental entity whose ability to levy property taxes will be affected*
36 *by the commission's approval of the proposal; or*

37 *(2) The commission has resolved all conflicts between the*
38 *municipality and all affected governmental entities and has approved the*
39 *increase in property taxes resulting from the proposal pursuant to section*
40 *3 of this act.*

41 5. *Except as otherwise provided in subsection 6, if* general obligation
42 debt is to be incurred more than 36 months after the approval of that debt
43 by the commission, the governing body of the municipality shall obtain the
44 approval of the executive director of the department of taxation before
45 incurring the general obligation debt. The executive director shall approve
46 the proposal if, based on the information set forth in paragraph (b) of
47 subsection 4 that is accurate as of the date on which the governing body
48 submits its request for approval to the executive director:



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1 (a) Incurrence of the general obligation debt will not result in a
2 combined property tax rate in any of the overlapping entities within the
3 county which exceeds the limit provided in NRS 361.453; or

4 (b) The proposal includes an agreement approved by the governing
5 bodies of all affected municipalities within the area as to how the combined
6 tax rates will be brought into compliance with the statutory
7 limitation.

8 The approval of the executive director is effective for 18 months. The
9 governing body of the municipality may renew that approval for successive
10 periods of 18 months by filing an application for renewal with the
11 executive director. Such an application must be accompanied by the
12 information set forth in paragraph (b) of subsection 4 that is accurate as of
13 the date the governing body files the application for renewal.

14 6. *The executive director of the department of taxation may not*
15 *approve a proposal pursuant to subsection 5 which, based upon the*
16 *factors listed in subparagraphs (1) to (4), inclusive, of paragraph (b) of*
17 *subsection 4, will affect the ability of an affected governmental entity to*
18 *levy the maximum amount of property taxes that it may levy pursuant to*
19 *NRS 354.59811, unless:*

20 (a) *The proposal includes a resolution approving the proposal*
21 *pursuant to subsection 3 of section 3 of this act from each affected*
22 *governmental entity whose ability to levy property taxes will be affected*
23 *by the commission's approval of the proposal; or*

24 (b) *The commission has resolved all conflicts between the*
25 *municipality and all affected governmental entities and has approved the*
26 *increase in property taxes resulting from the proposal pursuant to section*
27 *3 of this act.*

28 7. If the executive director does not approve a proposal submitted to
29 him pursuant to subsection 5, the governing body of the municipality may
30 appeal his decision to the Nevada tax commission.

31 8. *As used in this section, "affected governmental entity" has the*
32 *meaning ascribed to it in subsection 9 of section 3 of this act.*

33 **Sec. 7.** NRS 350.005 is hereby amended to read as follows:

34 350.005 1. The governing body of the municipality proposing to
35 incur general obligation debt or levy a special elective tax and the board of
36 trustees of a general improvement district whose population within its
37 boundaries is less than 5,000, who proposes to borrow money and issue
38 any securities other than securities representing a general obligation debt,
39 shall notify the secretary of each appropriate commission, and shall submit
40 a statement of its proposal in sufficient number of copies for each member
41 of the commission. The secretary, with the approval of the chairman, shall,
42 within 10 days, give notice of a meeting, in the manner required by chapter
43 241 of NRS, to be held not more than 20 days thereafter. He shall provide a
44 copy of the proposal to each member with the notice of the meeting, and
45 mail notice of the meeting to the chief financial officer of each
46 municipality in the county which has complied with subsection 1 of NRS
47 350.0035 within the past year.



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1 2. The commission may grant a conditional or provisional approval of
2 such proposal. Such conditions or provisions are limited to the scheduling
3 of:

4 (a) The issuance and retirement of securities, if the proposal is to incur
5 general obligation debt; or

6 (b) The imposition of the tax, if the proposal is to levy a special elective
7 tax.

8 3. *If the proposal is from a municipality, the commission may not*
9 *approve any portion of the proposal that is not included in the statement*
10 *filed pursuant to paragraph (b) of subsection 1 of NRS 350.0035, as*
11 *updated pursuant to subsection 3 or 4 of NRS 350.0035.*

12 4. The commission may adjourn a meeting called to consider a
13 particular proposal no more than once, for no more than 10 days.
14 Notification of the approval or disapproval of its proposal must be sent to
15 the governing body within 3 days after the meeting.

16 **Sec. 8.** NRS 350.0051 is hereby amended to read as follows:

17 350.0051 1. In determining whether to approve , *conditionally or*
18 *provisionally approve*, or disapprove a proposal to incur debt or to levy a
19 special elective tax, the commission shall not, except as otherwise provided
20 in paragraph (d) ~~§~~ *and section 3 of this act*, initiate a determination as to
21 whether the proposed debt or special elective tax is sought to accomplish a
22 public purpose or to satisfy a public need. The commission shall consider,
23 but is not limited to, the following criteria:

24 (a) If the proposal is to incur debt, the amount of debt outstanding on
25 the part of the municipality proposing to incur the debt.

26 (b) The effect of the tax levy required for debt service on the proposed
27 debt, or of the proposed levy of a special elective tax, upon the ability of
28 the municipality proposing to incur the general obligation debt or levy the
29 special elective tax and of other municipalities to raise revenue for
30 operating purposes.

31 (c) The anticipated need for other incurrences of debt or levies of
32 special elective taxes by the municipality proposing to incur the debt or
33 levy the special elective tax and other municipalities whose tax-levying
34 powers overlap, as shown by the county or regional master plan, if any, and
35 by other available information.

36 (d) If the information set forth in paragraph (b) of subsection 4 of NRS
37 350.004 indicates that the proposal would result in a combined property tax
38 rate in any of the overlapping entities within the county which exceeds ~~190~~
39 ~~percent~~ *the specified percentage, pursuant to subsection 1 of section 2 of*
40 *this act*, of the limit provided in NRS 361.453:

41 (1) The public need to be served by the proceeds from the proposed
42 debt or tax levy ~~§~~ *in accordance with the priorities established pursuant*
43 *to subsection 2 of section 2 of this act*; and

44 (2) A comparison of that public need and other public needs that
45 appear on the statements of current and contemplated general obligation
46 debt and special elective taxes submitted pursuant to ~~paragraph~~
47 *paragraphs (a) and (b)* of subsection 1 of NRS 350.0035 that may affect
48 the combined property tax rate in any of the overlapping entities within the
49 county.



- 1 2. If the commission approves the proposal, the amount received from
2 the sale of the general obligation debt or from the special elective tax may
3 be expended only for the purposes described in the proposal.
- 4 **Sec. 9.** 1. The amendatory provisions of this act do not apply to any
5 general obligation debt or special elective tax approved by a debt
6 management commission created pursuant to NRS 350.002 on or before
7 the effective date of this act.
- 8 2. As used in this section, the terms “general obligation debt” and
9 “special elective tax” have the meanings ascribed to them in NRS 350.001.
- 10 **Sec. 10.** This act becomes effective upon passage and approval.

