

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON TAXATION**

**Seventy-Sixth Session
February 17, 2011**

The Committee on Taxation was called to order by Chair Marilyn K. Kirkpatrick at 8:03 a.m. on Thursday, February 17, 2011, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/76th2011/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblywoman Marilyn K. Kirkpatrick, Chair
Assemblyman Harvey J. Munford, Vice Chair
Assemblyman Elliot T. Anderson
Assemblywoman Teresa Benitez-Thompson
Assemblywoman Irene Bustamante Adams
Assemblyman John Ellison
Assemblywoman Lucy Flores
Assemblyman Ed A. Goedhart
Assemblyman Pete Livermore
Assemblywoman Dina Neal
Assemblywoman Peggy Pierce
Assemblyman Lynn D. Stewart
Assemblywoman Melissa Woodbury

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

None

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Michael Nakamoto, Deputy Fiscal Analyst
Cyndie Carter, Committee Manager
Mary Garcia, Committee Secretary
Olivia Lloyd, Committee Assistant

OTHERS PRESENT:

John Hester, AICP, Assistant City Manager/Redevelopment Administrator,
City of Reno
Ron Smith, Council Member-Ward 3, and Chairman, Redevelopment
Agency, City of Sparks
Neil C. Krutz, P.E., Director, Community Development, and Director,
Public Works, City of Sparks
Shaun Carey, City Manager, City of Sparks
Julia Ratti, Council Member, City of Sparks
David Bennett, President, Nevada League of Cities and Municipalities, and
City Councilman, City of Mesquite
David Fraser, Executive Director, Nevada League of Cities and
Municipalities
Mark Vincent, CPA, Chief Financial Officer, City of Las Vegas
Jeff Fontaine, Executive Director, Nevada Association of Counties
Ray Williams, Jr., Commissioner, District No. 3, Lander County

Chair Kirkpatrick:

[Roll was called.] Good morning, and welcome to Taxation.

**John Hester, AICP, Assistant City Manager/Redevelopment Administrator,
City of Reno:**

I am going to go through our handout, "Sales Tax Increment Projects and Funding" ([Exhibit C](#)). With me is Cadence Matijevich, our Legislative Relations Program Manager, with whom I am sure you are all familiar.

I will jump right to page 7 and give you a brief overview of the sales tax anticipated revenue (STAR) bonds. For those who are not familiar with that legislation, it essentially divides the 6.5 percent base rate. Seventy-five percent of it can go to the sales tax increment for issuing sales tax anticipated revenue (STAR) bonds or be used for reimbursement. That is for projects. The other 25 percent continues to be distributed, as it was before, to the county, the school district, and the state and local governments.

Chair Kirkpatrick:

The first piece of legislation when I was a freshman was the STAR bond bill [Senate Bill No. 306 of the 73rd Session (2005)]. This has evolved over time, so could you give us a bit of history on how we actually got to the projects stage of this?

John Hester:

I was not involved in the first passage of the legislation, but the idea was that the sales tax increment could be used for tourist-based economic development. The concept was—and I will talk about this in a second—that you had to do a study showing that a preponderance, or majority, of the people who paid the sales tax were out-of-state visitors. The idea was if you could bring new visitors to the community who paid sales tax, then you could use part of that to finance the project that brought them.

I jumped ahead of myself to talk about how that sales tax generated by the new project would be distributed. Again, 75 percent would go to pay for the project and the other 25 percent would continue to go the same state and government entities to which it was already going. Any local sales tax or sales tax above the base rate of 6.5 percent would continue to be distributed the way it had been.

There are process requirements. First, the applicants create a district within which this sales tax increment is captured. The maximum district life is 20 years. They have to do a preponderance study. They must validate that the economic impacts and the impacts on those providing services are covered. They must then go through a fairly rigorous approval process including all the affected local governments, the school district, the Commission on Tourism, and the Office of the Governor.

The Reno projects begin on page 8 of the handout. Reno has created three districts since 2007: the Cabela's project; the Freight House District, which is another word for our baseball stadium area; and Tessera, which is one we are working on.

Our Cabela's project starts on page 9. There is a map showing the district. If you are familiar with Reno, that is in the western part of Reno on Interstate Highway 80 near the California border. On that map, the Boomtown Reno Casino and Hotel is to the right of the district at the Garson Road exit. It was the large, vacant area just to the west of that green line on the map.

The project that has been built is the Cabela's store, of which there is a picture on page 9. It is a 129,000 square foot building that cost \$51 million. We

describe that as destination retail. It captured retail sales that were not previously being made in Washoe County or Reno.

We hired a group called Meridian Business Advisors to do the required economic impact study described at the top of page 10. You can see the economic impacts they estimated would occur. All of those met the requirements for creation of the district.

The public approval process is listed there, starting in January 2006 and going up to November 2007, when we started the district. You can see the results. One thing we are proud of with Cabela's is that they purchased all of the sales tax anticipated revenue (STAR) bonds themselves. In other words, they said, "We are so sure our project would do what the study said it would do that we will buy all of our bonds ourselves." Essentially, they took all the risk.

Part of our agreement was that they could not put in another Cabela's store within a 150-mile radius because we wanted to be sure we captured retail sales from California and outside Washoe County. To date, they have generated more than \$5.5 million in sales tax increment.

Our second project, starting on page 11, is what we call the Freight House District. It is probably better known as the area around the AAA baseball stadium. The graphic on page 11 shows, beginning at the top left, Virginia Street where the green hashed lines are. To the right a little bit is the old CitiCenter, which is the old transit station for the Regional Transportation Commission (RTC) that they moved out of last year. The building to the immediate right of that is the National Bowling Stadium. Farther to the right, where there used to be a vacant lot, is the new RTC 4th Street Transit Station, which more than doubled its capacity for transit in the area. It also freed up the old site.

Moving south, there are some vacant properties in front of the baseball stadium site and some south and west of the baseball stadium site along the Truckee River. Across the Truckee River, there is some property next to the National Automobile Museum and the existing 60-year-old police station.

In the middle is a vacant parcel, which is the baseball stadium parcel. The owners of the AAA team from Tucson, Arizona, wanted to move their team here as soon as possible because, as you can imagine, if you buy a baseball team in a city and say you are moving out, your attendance is not going to be very good and you are going to lose a lot of money. We went ahead and got the stadium on the fast track and built it within a year. The team moved here and played, then they closed the stadium and the store for a no-retail-sales

period of 120 days. They closed everything down and moved the retail store out to one of the shopping malls in the city. Then we re-added them to the district and they reopened. It was a way to get the baseball team here more quickly and still put them in the sales tax district later.

Chair Kirkpatrick:

Can I ask a couple of questions for the other Committee members? The whole idea behind the sales tax anticipated revenue (STAR) bonds drama was to be like Nashville, Tennessee, or Kansas City, Kansas, because they were truly generating tourism with these new destinations.

I read somewhere about you doing something with the stadium dollars when you shut down for the 120 days, moved to a separate location, and then came back. I know there was a big controversy about that in northern Nevada because I got a lot of phone calls from people complaining about it. They really felt they were being cheated. Shortly after that, there were articles in the newspaper about Reno actually using that money for different operational expenses.

Can you elaborate on that for the Committee members who live in the south? We had the green building drama down there at the same time they had the STAR bond problems in the north. We said not to take green buildings to northern Nevada, and not to take STAR bonds to southern Nevada because it would make matters worse. We each had our own issues. Can you talk about that a little bit? I thought some stores were in the district and some were outside, and people are confused. I want that cleared up.

John Hester:

Let us go back to the map on page 11. When the district was created, there were no retail sales establishments in the district except for a Bully's Sports Bar & Grill in the National Bowling Stadium. That was excluded from the district. I do not know if you can see it on the map, but there is a corner of the Bowling Stadium that is not included.

There were no retail sales. A description of the proposed project is on page 13. Our plan all along, when we signed our agreement with SK Baseball, LLC, was for the baseball stadium to be a catalyst project for us and the city. What we were really interested in seeing was the entertainment center to the west. Then diagonally from the northwest corner of that, they were going to renovate the first floor of the National Bowling Stadium. Bowling tournaments there bring in 80,000 visitors a year. Then they were going to take the CitiCenter site. The idea was that the baseball stadium and the National Bowling Stadium were both catalysts to bring people downtown.

The preponderance study done by Meridian Business Advisors, which is covered later in the handout ([Exhibit C](#)), was based on the fact that it would bring retail sales from tourists. The only reason the baseball stadium was put in later was because we wanted to get the Tucson team here as quickly as possible. The only store that was closed and then reopened in the district was the souvenir shop at the stadium.

Chair Kirkpatrick:

We were already getting 100 percent of that sales tax. Then we changed it so we were getting less. Is that not correct?

John Hester:

We were getting 100 percent of the sales tax, but that was only for one season. The reason for that was to get the team here and to get the Cabela's project going.

Chair Kirkpatrick:

I know it has been frustrating, at least for us on the legislative side. We basically gave away the authority to go back and do anything. I so appreciate you coming in and doing this because you really do not have to. If truth be told, I would like to delete the whole section within Chapter 271 of the *Nevada Revised Statutes* (NRS) myself. Kansas went back and totally revamped their sales tax anticipated revenue (STAR) bond process, so now you cannot do this and you cannot do that within 50 miles. Do you think we have actually gained anything by doing this? I realize baseball is important, but did we really draw the outside crowds in for the long term?

John Hester:

We really have three districts. With the first district, Cabela's, it is very clear we accomplished what you all intended when you passed the STAR bond legislation.

The second project, the Freight House District project, is in process. The jury is still out on the baseball project. We have not built the other parts yet. If we do build them, I think we will achieve the objectives of the legislation.

The third district, which I will talk about in a minute, is still in the conceptual stage, so we do not have any experience with it yet. The district has been created, but we have no agreement in place. We are still negotiating.

Chair Kirkpatrick:

I understand all local governments are struggling with their budgets. However, when I read you had to pay \$1 million toward the baseball stadium, I was beside myself. How many local jobs would that create? Is there some legislation we could pass that would fix this, or is it so far out there that we should simply delete it?

John Hester:

Let me talk about the baseball stadium, much of which is outside the STAR bond funding. Four funding sources actually went into the baseball project.

One is properties. They bought some of the property where the stadium is, and the city Redevelopment Agency provided some of the property. That was the first source.

The second source was the car rental tax, which generated \$30 million. We just got the results of the audit on the stadium back last year, and it cost between \$58 million and \$59 million. That does not include the property, so we can set the property aside. Of the \$58 million, they got \$30 million from the car rental tax.

There are two other sources that are going back to them. One is sales tax anticipated revenue (STAR) bonds, which are generating probably more than \$300,000 a year. Under the terms of the agreement we have with them, they get about one-third of that, or about \$100,000 a year, on the \$28 million they have to pay off. The other source is the \$1 million a year we guarantee them after some superior debt and superior payments out of the redevelopment budget. Once we have paid off our existing debt, paid off a loan on fire station relocation, and paid some administrative costs, we said they could have the property tax increment after that of a minimum of \$1 million and up to \$2.5 million if the district is generating that much.

The assessed value of the other properties has gone down, mainly on hotel/casinos. They are saying they want their \$1 million. We are saying the money comes out of property tax, which is not there, so they do not get it. Now we are in discussion about what to do about that because they say they need that money in order to continue to be viable. This is really not about STAR bonds, except that STAR bonds are a piece of the revenues.

Chair Kirkpatrick:

My whole point is that we have woven such a web with our legislation that trying to get control of it now is a problem. Since you cut out Bully's Sports

Bar & Grill because they were a preexisting establishment, their taxing is not within the increment financing, is that right? So they are paying 100 percent while everybody around them is paying 25 percent?

John Hester:

That is correct. The only thing that was there previously, and which went out of the district and came back in, was the store at the stadium.

Chair Kirkpatrick:

Is the reason they are still there because they must benefit from everything coming in around them? It seems that if I am paying 100 percent while my neighbors are paying one-fourth of that, I might try to find myself a better location. Do they generate revenue from that?

John Hester:

Bully's is gone. They closed anyway.

Chair Kirkpatrick:

What about the bowling stadium?

John Hester:

The bowling stadium is still there. It is the National Bowling Stadium owned by the city and run by the Reno-Sparks Convention and Visitors Authority (RSCVA).

Chair Kirkpatrick:

So the establishment you cut out of the district no longer exists? There is nothing there anymore and no revenue?

John Hester:

Right, they closed.

Chair Kirkpatrick:

That is unfortunate.

John Hester:

It is. I think the problem with the property tax increment is something that, according to our information, is happening to redevelopment districts all over the country. That is because the value of commercial property and property in the districts has gone down. A lot of them, particularly in California, are now just able to meet their debt requirements at best. That is not an issue created by your legislation. That is an issue created by the economy.

Chair Kirkpatrick:

I asked the redevelopment people these same questions. I always see these as gerrymandered maps when we try to create some of these districts. How do you design them? This is a thought process I do not understand.

John Hester:

Starting at the bottom right of the map on page 11 ([Exhibit C](#)), there is a vacant property on the south side of the Truckee River. There is a big vacant piece next to the National Automobile Museum that we think would be a great tourist site. Immediately to the right of that along the river is the 60-year-old police station. We hope sometime to get a new police station for the City of Reno, although that is not going to happen soon.

The other pieces across the river are all just south of the railroad trench, which you can see running across the middle of the page. Those were all vacant except for the old Harrah's corporate parking garage and corporate center. We intended to have that redeveloped around the baseball stadium. The land just to the north of that was vacant too, but it is now the new CitiCenter and 4th Street Station. Then there is the National Bowling Stadium, where we hope to see some tourist-oriented retail and entertainment. Immediately across the street from that is the vacant old RTC site.

That is the rationale for those parcels being in there. It does look gerrymandered, but those were pieces we thought were ripe for redevelopment and new development to bring in more sales tax.

Chair Kirkpatrick:

As I said, I appreciate that you came before us to help us. I am practically certain there will be some sales tax anticipated revenue (STAR) bond legislation this session.

John Hester:

On page 12 is the other part of the district. This has a line going down to school district facilities generally inside the McCarran Boulevard ring road in Reno and south of Interstate Highway 80. Besides the 25 percent of sales tax that continues to be distributed the way it used to, we took an additional percentage and said school district facilities were also eligible for STAR bond revenues.

The district actually includes all these little lines going out to all the school facilities. In fact, Mount Rose Elementary School used some of the STAR bond money this past year for some projects. There is some public benefit to the education system as well.

Chair Kirkpatrick:

How do you do that? How does that create tourism? Are students at the elementary school going out and doing some campaigning?

John Hester:

That is part of the make whole provision, where we have to go back through the school districts. Part of what we said was, instead of the schools just getting the 25 percent, we would not use all of the 75 percent for projects; we will give some of it to you to help renovate schools.

Chair Kirkpatrick:

I am fine with that, but is there accountability to make sure they are being made whole?

John Hester:

Yes, they entered into an agreement on how much of the sales tax they would get and how much would go to the district.

I already partly described the project at the top of page 13, part of which was the stadium. The picture at the bottom of page 13 is of the stadium on opening night. It was a nice addition to that part of the city. That was phase 1.

There are six phases. Phase 2A, at the top of page 14, consists of three restaurants and entertainment buildings to the north and west of the stadium. Those opened last year and are helping generate sales tax revenue.

The rest of the phases have not yet been completed. Phase 2B, just north of these restaurants on the top of page 14, would be to renovate the old freight house building. Phases 3 through 6 are listed at the top of page 15, but they essentially move across the street into the bowling stadium and then in front of the bowling stadium toward Virginia Street.

As a result of this, we have had an additional developer, who has property adjacent to the baseball stadium along the river, approach us. They want to build a Marriott Hotel, which would bring people in who were not there already. We provided them with a term sheet, and we are in negotiations with them to build a Marriott Hotel between the river and the stadium.

Economic impact studies showed that the preponderance would be met and that jobs and revenues would be generated. That is shown on the bottom of page 15 and the top of page 16. The process we went through is listed there. As shown on page 17, instead of issuing bonds for the baseball stadium and future development, we said if they generated the sales tax, we would give it

back to them after it was generated. That way, the city is not on the hook if the project does not generate adequate revenue. We thought, after our first agreement, this was a much wiser way to go. Although Cabela's has done everything we thought they would do, we decided this would put the city at less risk.

Assemblywoman Neal:

I am trying to understand something related to what Madam Chair said about gerrymandering. Do you gerrymander the districts because the assessed value is higher in those areas?

John Hester:

No, we do not get anything from the assessed value.

Assemblywoman Neal:

So you do not get the property tax increment?

John Hester:

No, we get just the sales tax increment. I am sorry if I confused you. I was talking about the property tax increment to explain the baseball stadium funding. The reason we include the properties we include in the sales tax anticipated revenue (STAR) bond district is that they do not have any retail sales. We cannot claim any existing retail sales.

Assemblywoman Benitez-Thompson:

I have a question about how the schools are using the STAR bond funds and what those projects actually look like. I had the pleasure of touring Mount Rose Elementary School about three weeks ago. Since I was in the facility so recently, it would help me visualize how that money is being used for the schools.

Then I thought it might helpful if you gave my colleagues from the south a better idea of how the property around the baseball stadium had sustained flood damage and had not rehabilitated. These properties the city acquired were not prime pieces of real estate. They were often considered eyesores.

John Hester:

Mount Rose Elementary School just celebrated its 100th anniversary. There were four mission-style schools built in the city about 100 years ago. Two of them remain. One is the McKinley Arts and Culture Center, which is a city facility on the river just north of this area on the Truckee River. The other one is Mount Rose School. About 25 years ago, the citizens rallied, saying they wanted the school saved and renovated. Most recently, they took some

stimulus money from the American Recovery and Reinvestment Act of 2009, as well as some STAR bond money, to change the entrance in the front. They did that for energy and security purposes, and to meet the requirements of the Americans with Disabilities Act of 2009 (ADA). They did a lot of renovation to the front of the building. I know they also had some temporary buildings that were not accessible in accordance with the ADA, and they may have worked on making those buildings accessible too.

The property where the baseball stadium is located is right on the river, and a lot of it was essentially a vacant parking lot. Some of it was an old hotel that had a lot of code enforcement problems. That was taken down. Some of the site was contaminated. There was an old dry cleaning facility there. Also, I am told that, long ago, there were illegal activities going on there, such as prostitution. It was not a nice part of downtown. There is a police station there, but the police station has barbed wire around it. You get the picture.

Assemblyman Livermore:

I notice in the document ([Exhibit C](#)) you keep using an economic advisor called Meridian. Have you ever had their work reviewed by a second or third firm to validate the issues or the numbers to make sure their financial projections are accurate?

John Hester:

On the stadium, we used a group called Keyser Marston Associates out of the San Francisco Bay Area. Most of those people will tell us that if we build the development we say we are going to build, it will generate the money. The question is, is there really a market for the development? As we all know, the world turned upside down. We are really happy the market seems to be there for the Marriott Hotel. I do not know if the market will be there for phases 3 through 6 as soon as we had hoped. We have entered into an agreement that includes dates. I am skeptical about whether they will actually build it by those dates.

Assemblyman Livermore:

I am pleased to see what you have done with the phases to relieve the city of the responsibility of meeting the debt.

Assemblywoman Pierce:

So 75 percent of the sales tax that is generated by the project goes to paying off the bonds used to build the project, is that correct? [Mr. Hester indicated it was.] When the bonds are paid off, what happens to that 75 percent?

John Hester:

It automatically goes back to being distributed the way it had been before. As a clarification, we did bonds on the Cabela's project. On subsequent projects, instead of issuing bonds that the city has to make whole, we said that if the sales tax revenues are not there, we would reimburse them. We thought that would be safer.

Assemblywoman Pierce:

You show a figure of \$5,591,208.08 having been generated by Cabela's (page 10 of [Exhibit C](#)). Just what does that mean?

John Hester:

That is the sales tax increment.

Assemblywoman Pierce:

So that is what is being split up into 75 percent and 25 percent? [Mr. Hester verified that.] Where is that in terms of what was projected?

John Hester:

It is ahead of projection.

Assemblywoman Pierce:

How much of that is generated by tourists? Is that working out, or have you been able to quantify that?

John Hester:

We have not actually done any surveys of the purchasers or customers there. The Center for Regional Studies, part of the College of Business at the University of Nevada, Reno, did do some analysis of the sales tax generated from sporting goods. It is hard to isolate Cabela's because Scheels was also included. After Scheels and Cabela's both opened, the amount of sporting goods sales in Washoe County went up significantly. From that, you can infer we got more sporting goods sales from visitors from out of the region. We have not actually gone in and taken a point-of-sale survey.

Assemblywoman Pierce:

After the first time, when we came back, we tightened up on the reporting.

Chair Kirkpatrick:

No, our friends in the Senate hated that bill and killed it. We tried to delete the whole section after that, but the Senate killed that one too.

Do not worry, because sales tax anticipated revenue (STAR) bonds are a big issue up here; we are going to pick on the City of Sparks just as much. When you talked about the new hotel, how did you arrive at 65 percent? I know the press does not always have everything exactly right, but the constituents are saying you are cutting your own deals within the STAR bonds deal, and that has created a bigger problem. Where does that 65 percent come from? When it says negotiations are at the term sheet stage, what does that mean? It has always been split into 75 percent and 25 percent.

John Hester:

During negotiations with the SK Baseball people, before we did any reimbursement agreements, we went to our Redevelopment Agency Advisory Board and looked around the country to see what kinds of reimbursement policies people were using. The most we can give is 75 percent. We cannot give the other 25 percent away. We looked at everything from Yankee Stadium and the new Cowboys Stadium down to the AAA stadiums and retail projects. We looked at Kansas City. Here is what we found. First, they said 10 percent goes to the school district. That brings us down to 65 percent, and that is where that figure came from.

The second thing they said was there were catalyst projects that clearly bring people in. A hotel like Marriott would be a catalyst, as would a baseball stadium. There are other projects ancillary to that, like a restaurant next to the stadium. Those should get less. If there is some left because they get less, we could use that on other projects, either catalyst or standard. That is where the 65 percent came from. We believe a Marriott is going to bring in all kinds of people from outside the county.

Chair Kirkpatrick:

There is a process these things go through when the study is done, including going through the Lieutenant Governor's Office, because it really is supposed to be about tourism. Is all of that laid out then? It just seems that it always comes after the fact.

John Hester:

It is all in the same district, and it is all the uses that were . . .

Chair Kirkpatrick:

But I am talking about these going through a specific process with the Lieutenant Governor's Office because they are truly about tourism. You would have a hard time selling me that this draws a lot of tourists. I know the locals love the shopping and all, but until we can actually get some data on how many tourists it actually draws, I think it would be hard to prove. You know, there is

a big difference between this and Nashville. There they actually went in and redid legislation, and they truly marketed that as a tourist destination. As I see it, the whole reason the Lieutenant Governor's Office was to sign off on this was because this is for tourism and is supposed to be marketed as such. We market Lake Tahoe's skiing. This should be marketed as the retail destination.

John Hester:

What goes to the Lieutenant Governor's Office is the whole district and all the uses. What you see here are pieces of that.

Chair Kirkpatrick:

But I see that the deal has changed since we got the preponderance study in the beginning. Is that not a fair statement?

John Hester:

No, it is still a hotel, and it is still in the district. What has changed is how much of the sales tax goes to that particular project, but it is all for that district in different pieces.

Chair Kirkpatrick:

I do not want to belabor this because we are going to hear a sales tax anticipated revenue (STAR) bonds bill in the Assembly Committee on Government Affairs. Then we are going to come back to Taxation and hear another STAR bonds bill. We have another 112 days to roll this over. It just seems that the rules should be in place. When we start adding in everything, including all the redevelopment dollars they could have gotten before, the waters of the public process have gotten so muddled that we failed at doing it, and we marketed nothing. I'm just saying that, for the future, we have to do something better.

John Hester:

Part of the package of uses within the district, which went to the Lieutenant Governor and through the whole process, included the retail specifically. The backers of this are SK, which stands for Simon Katzoff—that is the same Simon as in the Simon Property Group. Their idea was to bring a destination retail outlet here. We all know those do work as destination retail, particularly for us in northern Nevada. A lot of people stop at those along Interstate Highway 80 going toward Vacaville. That was the idea here, and that was what the Assemblyman asked about and what I am skeptical about whether or not it would happen. I hope it does, but that was part of the whole package. Marriott is just a hotel piece of the whole package as well.

Chair Kirkpatrick:

Is there a reason we have to keep using this? Is it the way it is financed? What is the real theory behind it? As a person who is supposed to be promoting tourism, I cannot seem to nail down the tourists we have brought to our state with these projects. I do not want Las Vegas to do this, and every time they talk about doing it, I watch with an eagle eye. I think there is a problem with this, which is why Kansas City practically went bankrupt over it. They actually went back and said that, for 50 miles, no one could even come close to doing this. Nashville said that for 150 miles you could not have anything that even remotely looks like this. I do not want Reno to get involved in the same problems. I need to understand why we need to continue this process if we cannot prove it is generating the required tourism. If that is not the case, we need to at least change the name because it is not a tourism thing. We need to call it what it really is.

John Hester:

You mentioned the property tax increment and the sales tax increment. As I am sure you are aware—and you may actually have been one of the authors of this—we can no longer do a sales tax increment district on top of a redevelopment property tax increment.

Chair Kirkpatrick:

But the point of that was they were already within the process, and they had already established the district, but could still go forward. Is that not correct?

John Hester:

But we do not have any other than the ones that are in front of you.

Chair Kirkpatrick:

But the Freight House project is right in the center of that district that already got that, so I say a spade is a spade is a spade. I do not even want to hear about the last project because we are still trying to deal with the second project, and I am not seeing tourism. I just want the freshmen to know that, within this Freight House District, they can get all that. That was the big issue at the end of last session.

John Hester:

And going forward, other than the three projects Reno has here, you will not see any more because of that.

The last project we have, called Tessera, is just north of the baseball district. On page 19, you can see that the University is across I-80 to the north. To the south, you can see the north end of the Freight House District we just talked

about. You can also see the map of the other school facilities that are associated with this district. They are not the same facilities that are associated with the Freight House District.

The concept of that proposed project is really related to downtown and the University. They want to bring in visitors and businesses that work with the University and also complement downtown. They had an economic analysis done, again by Meridian, and the district was approved in 2009. However, we do not have an agreement with them at this point. We have been talking about it, and they have looked at the Freight House agreement.

The last part of my handout is those policies I talked about that we developed on catalyst projects versus standard projects.

Chair Kirkpatrick:

I will explain to the freshmen why this is such a hot issue for me. In my freshman session, the sales tax anticipated revenue (STAR) bonds issue was the first piece of legislation. We were here at 9 p.m. on the last day of the deadlines, and this bill had to either get out of committee or die. The pressure in the room was beyond belief.

The room was packed. The top developers were here, and the city was here. This was a very heavily lobbied bill. As a freshman, nobody ever bothered to come and talk to me about it, but we were expected to make decisions. What was I supposed to do? It was tough.

The next session, when we had some issues with it, we asked those same heavy hitters to come back and help us put in some accountability measures. We did not get any help. When we asked during the third session, when the cities were struggling—quite frankly, the cities were coming to us asking for help—we got no help from either side. Nobody wanted to go on the record about it.

This time it is all on the record. It is just the truth of it. The whole concept, as I was told as a freshman—and this is following your policy all the way to the end—was that it was going to be a tourist destination and we were going to be tourist people.

I understand those premium outlet malls do bring some tourists, but I never see any of this marketed. That is a problem for me. I understand how the whole impact-analysis-for-planning model works. You plug in hypothetical numbers and, based on the square footage, you should be able to have a certain amount of jobs created or a certain amount of tourists.

I think the city should at least show the constituents the respect—because this is not what they intended—to go back and figure out if these numbers really match what they were promised. I think that is the very least the northern Nevada constituents deserve. We did this on the green jobs in southern Nevada. We brought the accountability to the table and we held their feet to the fire. For the northern side—and I do not think this is the last district that will be created—we owe the residents of Nevada the respect to go back and see what it actually brought in comparison to the Meridian study.

When Kansas City went back, they found they lost their shirts, in more ways than not, for the next 20 years. They revamped it, and they are trying again. I am not about not trying, but I am about the accountability. Unfortunately we cannot get the cities and the players to help us with the accountability. That is unfair. That is why I say we should just delete it and call it what it is. I think if it is not really a tourist thing, and it is not a redevelopment thing, it really should be called a new enterprise district. It is not a tourism district.

John Hester:

On page 24 of my handout ([Exhibit C](#)) is a guideline for reporting. One of the things we put in our criteria was that, as we enter into these agreements as we did on the Freight House, we get point of sale information. Our Redevelopment Agency Advisory Board said basically the same thing you are saying, that we should see if it works. If it does not work, we should know so we will not keep doing it. We are sensitive to the issue you brought up.

Assemblyman Stewart:

I agree with you 100 percent, Madam Chair. We have misnamed it. I think this city has done a good job of taking themselves off the hook by putting the burden back on the developer and not on the city. We have been very lax in collecting data on the new tourists that are actually brought in. I agree we need to rename this.

Chair Kirkpatrick:

On that note, if both Reno and Sparks could get us copies of your preponderance studies, we would appreciate it. I have learned how the models work, and I would be curious as to how this works.

At this time we are going to call up the City of Sparks. Just to be fair, I am going to be just as hard on you as I was on Reno. I just have a different set of questions for you.

Ron Smith, Council Member-Ward 3, and Chairman, Redevelopment Agency, City of Sparks:

Thank you for giving us this opportunity to provide information to you about sales tax anticipated revenue (STAR) bonds. Sitting with me today is Vice Chair and Council Member Julia Ratti, City Manager Shaun Carey, Assistant City Manager Steve Driscoll, and Community Development Director Neil C. Krutz. At any time during our presentation ([Exhibit D](#)), or at the conclusion of our presentation, we would be happy to answer any questions you may have.

Neil C. Krutz, P.E., Director, Community Development, and Director, Public Works, City of Sparks:

I am happy to be here this morning to talk about what is, for us, a project in progress. The Legends at Sparks Marina was envisioned to be a project in excess of 1.3 million square feet of destination retail and commercial venues within the City of Sparks and on the eastern border of what I will call the jewel of Sparks, the Sparks Marina. It is a project we worked long and hard to bring to northern Nevada, and we are very proud of the progress that has been made, especially given the state of the economy.

The tourism improvement district that is involved with The Legends at Sparks Marina was created in July 2007. It took hard work by city staff, the private developer, and many of our partners in the financing industry to get us to the project that is on the ground today. As of today, we do tout ourselves as having the world's largest sporting goods store in the Scheels that anchors that center. That store is a nearly 300,000-square-foot facility—a mall within a mall—all by itself.

There is an additional nearly 500,000 square feet of retail surrounding it. There is a pedestrian mall bordering the north side of the Scheels facility that contains some very nice artwork and a quality of development unmatched in northern Nevada. As I said, the project is just over half built. There is still a long way to go. We are looking forward to seeing that project orient itself toward our Sparks Marina Park and look forward to seeing it continue to develop to the north.

Chair Kirkpatrick:

Is everybody still getting free leasing to move out there? I know in the beginning the developers were bragging about how tenants were getting a free year's lease to move out to the project. I ask because I want to include that in your history of the creative ways of getting people to move in.

Neil C. Krutz:

We have not been directly involved with the leasing activity that has gone on. That has been between the master developer and his tenants.

Chair Kirkpatrick:

My point is that the taxpayers said it was a tourism district and those were dollars that were supposed to go back into the coffers. I am concerned that you are not part of that activity because you should know what your master tenants are doing. That is the people's money, and it should be going back in to generate revenue within the districts. I have lived this from my very first session, and I will live it throughout my entire career. By the end of this session, I am going to make sure some points were put on the record for the history. I would think that you would have agreements with your master developers on how things work. If you do not, I do not understand that. Local government has no problem putting agreements in place for how they bring development.

Ron Smith:

The only free lease I was aware of was for the Jazz - A Louisiana Kitchen restaurant. They were the first to open in an otherwise unoccupied building. It did not affect their sales tax collection at all. It was just a free lease for them. Now they are paying their lease.

Chair Kirkpatrick:

I just saw the marketing for the free leases, so come to Sparks. You can move into our new area. That was great marketing, but it was the negative marketing that I have seen. I try to stay up on the commercial leasing up here. So that restaurant is the only thing that got one free year, and they are committed to stay here how long?

Ron Smith:

I do not know that they got a free year. I do not know how long a period that was, but they were in an unoccupied building. They were the first ones there, and they actually took a chance opening up so early. That was a deal worked out with the developer, but it did not affect their sales tax collection.

Shaun Carey, City Manager, City of Sparks:

I have been with the sales tax anticipated revenue (STAR) bonds legislation from the beginning, and we have reached our intended goals for attracting tourism to the City of Sparks. Northern Nevada has absolutely been rocked by the loss of tourism from the gaming competition nationwide, particularly in our northern Nevada market. The STAR bonds were seen as an essential tool to

allow the creation of destination retail or attractions that would begin to provide a piece of a puzzle we have yet to solve in northern Nevada.

Building the world's largest sporting goods store, which has a market of over 500 miles, provided a big part of that puzzle piece. Scheels is a feature that you must see, and their market is not just the Reno-Tahoe area, but a much larger circle.

They are meeting their numbers in our market, and they are very diligently advertising that store all along I-80, in California, and in magazines. Our community spent our tourism development dollars to put a supplement in Southwest Airlines' *Spirit* magazine in November of last year that featured this project. We are not done.

We would have been farther along had our economy not come to a standstill in 2008. We lost a lot of momentum all across our state, but particularly in northern Nevada. First-in-the-market stores that were signed and ready to come to our community all pulled back. National retailers that had chosen our project were coming, and the energy would have been even higher and better. But those stores are confronted with what was an economic meltdown in the retail industry.

We have had a simple miracle in Sparks. We took a redevelopment site that was an industrial wasteland and have created a foothold. Part of the solution was to put forth the world's largest sporting goods store and first-in-the-market stores that will drive our tourism. We need to round out the tourism experience. I believe we are doing that, and we are doing our part. More needs to be done, yes, and we have more stores that will open. We are just beginning to see signs of life in the retail industry, and those signs of life are going to help us fill up some of that empty retail space.

Our overall deal, when it is done, will have around 19 percent public investment. That is a catalyst we are using to bring a private experience to northern Nevada that you would not have captured without it. Tourism is a problem with which our community needs your help. We have to stabilize tourism in northern Nevada.

Just this week, I saw that the Reno-Tahoe International Airport numbers have begun to climb again, with 3.8 million passengers passing through the airport. Right there in the airport, right in the baggage claim area, you will see The Legends advertised. We are going to work, in the coming months, to position ourselves to take advantage of that part of the retail market that is now ready

to move forward. Our developer is going to reposition our center to attract those retail experiences that are ready to grow again.

Chair Kirkpatrick:

I really want to get more into the guts of this whole thing. I know that more is coming for the future, but what have you got there now? What is it generating? Who does it help? I have heard all the stories about your targets. When I go home, people from this area call to tell me their concerns about what is still going on. My job does not stop when I leave Carson City, because I believe I am a full-time legislator. I guarantee the citizens up here are listening today because they want, and so I want, to know specifics. I do not want rhetoric about what is coming or what you think. I want to know what you have so far today.

Assemblywoman Benitez-Thompson:

Do you have an idea of the total sales? Can you quantify what percentages of sales are from locals and what percentage is from tourism? It would give me a better idea if you could tell me how you define tourism. Does tourism mean anyone outside of Washoe County, or is it someone from another state?

Shaun Carey:

I agree that is an important question. One of the things lacking in sales tax anticipated revenue (STAR) bond legislation is that report. We are required to do a preponderance study to find that the preponderance of sales will come from people from outside the district. We did two of those studies, which are two inches thick, done by national experience, looking at tourism and trying to find the right answer.

It is difficult today to answer your question because we do not have a meaningful system of bringing the data back to this Legislature. I would be happy to work with the Assembly to find a meaningful way for that information to be shared, but it must be done in a way that protects the retailers. They do not want to share their market information. These stores, such as Cabela's and Scheels, are very competitive, but there is a balance there, and I think a balance we can strike.

I wish I could tell you today that I have met the preponderance. I do not think, in today's half-finished project, that report would show 50 percent, but it will in its finished condition because of the type of center and the type of attraction it is intended to be. I would be pleased to have an opportunity to work on a solution to that important policy question.

Assemblywoman Benitez-Thompson:

How do you define tourist? Are they people who are flying into Nevada from out of state, or are they people from the eastern part of the state who would otherwise continue on I-80 to, say, the Vacaville area but, instead, are stopping in Washoe County?

Shaun Carey:

Our mandate from the Legislature was to find that 50 percent of the sales were coming from out of state. Nothing from within Nevada is part of the preponderance test. It was done by national retail experience and by looking at other tourism markets, such as the Legends Outlet Kansas City project—high-tourism areas with mixed stores, such as Myrtle Beach, South Carolina—across the nation. They also looked specifically at the stores that we were bringing in our phase 1—those stores such as Scheels—and looked at their existing business reach. What was their circle of business activity? For something like Scheels or Cabela's, it is in the hundreds of miles.

Obviously, concentrating a Scheels and a Cabela's in northern Nevada creates a synergy that will not be replicated within our tourism market. It is simply the kind of catalyst that is essential to making this a destination. The two of those stores work really well together.

In the legislation, we did very detailed work to find that the preponderance was there. Our project was a little more complicated in that we did have lifestyle retail surrounding it. That lifestyle retail today includes a Target store. That does not add to tourism, but it does help, in a 147-acre project, in allowing us to achieve enough critical mass to pave the way to create the attractions in the first-in-the-market stores.

Something like Scheels is the size of two Walmarts stacked on top of each other. We created a district that relied on one-third of it being lifestyle centers, one-third of it being attractions, and the other third consisting of the first-in-the-market approach. In the economy we have had since October 2008, we have really kept our developer's feet to the fire. The leasing team he has in place is going to deliver a project that will have tourism as its first and only purpose, and northern Nevada will be better for it.

Assemblyman Ellison:

I stop at Scheels just about every time I go through that area, and I have yet to walk in and not run into somebody from northern Nevada such as Elko, Winnemucca, Carlin, or Battle Mountain in there.

I do not know where your redevelopment really is, but when I drive around the back side of the marina it looks like there is a parking garage on which construction was begun, but then it just stopped. Is that in the redevelopment area, and is it paid for by taxpayers' money? What is up with that?

Shaun Carey:

We created the second redevelopment agency in the City of Sparks. It contained three districts. The first was the marina district, which goes from the Sparks Marina to Prater Way to Sparks Boulevard. That was our engine. We were creating that area because we knew that, with land that was challenged by environmental conditions present on the site, redevelopment needed to get that land in good enough shape that we could get it onto the tax rolls. We also knew if we were successful with it as a high-value tourist attraction, we would be able to reinvest that.

We picked two of the oldest areas of our city to receive the benefits of the success we would have in our marina district. One was the Conductor Heights neighborhood located directly south of I-80 and to the west of Rock Boulevard. Conductor Heights took its name from the time the railroad actually took homes off of flat cars, set them on the ground, and that was where the railroad employees worked. It is a very tough neighborhood and one where redevelopment can go a long way toward reducing blight.

The other was to focus along our Oddie Boulevard corridor, which is in the center of our city and contains some of the oldest retail and neighborhoods from the 1960s and 1970s. We believe the use of our capital gain in property values can be used in the Oddie Boulevard corridor and, very specifically, in Conductor Heights to keep them competitive and give them a new, refreshed look that will provide sustainability for the community as a whole. We picked two very blighted areas, did our blight tests for redevelopment, and moved forward.

Chair Kirkpatrick:

Please stay on target; we are not in the Committee on Government Affairs talking about redevelopment. Maybe you could give us a short answer on whether the projects conflict or are stacked on top of each other.

Shaun Carey:

There are two different projects. The Marina Village project, right around the shoreline from the Sparks Marina, had our first redevelopment project disposition and development agreement with limitations. The public financing that was contributed to that project was done in increments based upon them creating value. They created some of the value.

There was a wonderful multifamily project, with a parking garage in the middle of it that would have been surrounded by condominiums. They lost their financing in the economic meltdown that occurred in 2008. We did not pay any public dollars associated with that project because the value had to be created first. We took a stepped, measured approach to that. That is a very attractive site and one I believe will return to profitability as our community moves forward.

Chair Kirkpatrick:

Is it in the sales tax anticipated revenue (STAR) bonds district in the redevelopment district?

Shaun Carey:

It is not in the STAR bonds district; it is just in the redevelopment district.

Assemblyman Anderson:

I wanted to follow up on what the Chair had mentioned earlier about your advertising. Are you trying to create a brand you are known for over a wide area with these projects like The Legends and the world's largest sporting goods store, or are you just going after a smaller Northern California market?

Shaun Carey:

We are doing both. We have, as the City of Sparks, launched a whole new brand name campaign. Our city logo is: "It's happening here." We want tourists and people from all over the nation to know there is something going on in Sparks every single day. The folks at Scheels and at The Legends absolutely have a strategy for marketing to the western states, and they are also advertising nationally.

To show you the breadth of this national reach, as I mentioned before, we used our tourism development dollars to get into Southwest Airlines' *Spirit* magazine on every airplane in the month of November. You will find The Legends in advertising in Northern California. You will find it in every one of that type of publication that goes to a tourist arriving in the area. We have a full suite of systems we are using to capture things. In a market such as Reno, this is one piece of the puzzle. With Scheels and Cabela's, we have solidified an attraction, and that has been a success. More needs to be done, but we are on a path of reversing a decline that has lasted for more than ten years.

Assemblyman Anderson:

Have you done any looking into social media online advertising? I did a quick, cursory search here. I tried typing in the world's largest sporting goods store to

see if anything would come up. I did not see a lot, and I checked the RSCVA. Have you thought about those options to try to capture some more people?

Shaun Carey:

We have a new city website coming out in March. We are repackaging our whole approach to include that very approach you are talking about. As we unveil that, I would be very happy to share with you our results before the end of this session. We had a very businesslike website before, and that has gotten a complete makeover to focus on these very areas.

Chair Kirkpatrick:

Does anybody else have any questions? I am not a Facebook supporter, so I hope you keep it in *Spirit* magazine.

Julia Ratti, Council Member, City of Sparks:

It is no accident that you see Councilman Smith and me sitting here today. We anticipate there will be legislation coming forward to make adjustments to STAR bonds. We are here to tell you we are very committed to working with the members of the Assembly and the Senate and the other stakeholders to address some of the issues that have been raised regarding STAR bonds. We look forward to working with you.

Chair Kirkpatrick:

I do not understand. When credit card companies do their marketing, they can tell if you bought baby clothes in the last month, and they work with the baby stores. For example, Borders books will not locate just anywhere because they have to feel there is a market. They do not even locate stores within 25 miles of each other. In North Las Vegas, we begged for years for them to even come close. I even requested they come to Las Vegas. I told them to go wherever they had to go, but asked why they could not put a store in Las Vegas. They said it was because they really focus on whom their shoppers are.

They say they have no problem sharing. They will not want to give away any proprietary information, but they can give us something. That should always have been part of the agreements because, quite frankly, you are on the hook to the taxpayer for bringing in at least 50 percent of out-of-state residents as your customers. It is not in-state residents. I would bet Scheels and Cabela's get more Nevada residents from across the state. We buy from them on the Internet and people from Elko come to shop there, but tourism really has to be 50 percent. When you are in the store, you should be able to see that. I do not understand.

In working with the Retail Association of Nevada last session, they were not adamantly opposed. They can say 6,000 people from ZIP code 89031 came in and shopped in the last six months. There are ways to do this, and I do not see why you cannot do this. You have no problem asking for a fire station or a park. What is so hard about asking these people to give you some kind of information to back this up? We are giving them taxpayer dollars, and it is a development agreement.

Shaun Carey:

You are correct. It is one of the areas where answers should be forthcoming. Our concern has been that it needs to be done as part of the business of the Department of Taxation.

Chair Kirkpatrick:

So we cannot do that? We can agree to disagree, but the Department of Taxation cannot get that information because we cut ourselves out of the loop. I am sorry, but we gave you people all the authority to do that—home rule, so to speak—and we cannot even get legislation back to allow us to do that. We cannot ask for that information. We cannot do that, but you people can do that.

Shaun Carey:

My concern is that I do not have a way of reaching the information you are seeking. The City of Sparks is a recipient of sales tax by formula from the State of Nevada. In fact, each month they calculate our share of the sales tax associated with sales tax anticipated revenue (STAR) bond incentives.

We are not a member of any entity that collects sales tax data. That is done by the Department of Taxation. We believe the information you are seeking would contain proprietary information and needs to be done confidentially within the other areas of sales tax, which are already confidential, in order to protect business enterprise. This belongs with the Department of Taxation. It should be collected and reported to the state policy makers. But we do not have a connection to or a legal ability to go and demand things, because we do not have the power.

Chair Kirkpatrick:

I am not against development. I support redevelopment, and I have always been there, but this STAR bonds thing is a farce. If it is an enterprise district, then we need to call it that. If it is something different, then we need to call it what it is.

If we do not have the mechanisms in place, and we cannot get the data we need—I know we have tried on our side, but we turned the authority over to everybody else. We created the authority and shortsighted ourselves on how to get the information. I am saying, to whoever is listening, that we need to have a serious conversation about what a tourism district is. Maybe we are using the wrong name for what we are trying to do. I am okay with that, but let us be honest, call it what it is, and move on.

I do not want to have to make you go stand in the parking lot and ask people when they walk in if they are from Nevada or from somewhere else. I could do that for a day to prove my case, but I do not think that is necessary.

I support redevelopment, and I support economic development wholeheartedly—probably more than most people in this building would admit to—but a study that has no follow-up is not fair to the constituents who have signed onto this. I know I should give you a break, but I am tired of hearing about the Target store that moved from this side of the street to the other side of the street. I am tired of hearing about the King Mart that closed. I am tired of hearing about the leases. Those are all the things I have been hearing for two years.

I have been out to The Legends myself but, unfortunately, it was after 7 p.m. They were not open late during the week. I wanted to check some more of those places out. I try to go visit those things. I support what we are trying to do, but I think “STAR bonds” is the wrong terminology. If nothing else, we should all agree to have legislation that says that.

Assemblyman Livermore:

I guess the cliché here is: “Build it, and they will come.” I think that is the risk. You risked Nevada tax money, which is the money of the people of Nevada. You risked the property that could be used for other civic or municipal opportunity.

When you put these projects together, they are for the long term. They are 30- or 50-year projects. Some of them will outlive all of us in this room. One of the things I would highly recommend is that the developers need to bear the burden of the responsibility if it does not work—not the taxpayers and not the citizens of Nevada.

Chair Kirkpatrick:

Are there any other questions? I am not trying to pick on you. I am just saying we need to come up with a better system.

Julia Ratti:

And we are here to work with you.

Chair Kirkpatrick:

Thank you. We are going to take a five-minute break. We are in recess [at 9:22 a.m.].

Chair Kirkpatrick:

I will now call the Committee back to order [at 9:30 a.m.]. Can we hear from the Nevada League of Cities? Thank you for coming.

David Bennett, President, Nevada League of Cities and Municipalities, and City Councilman, City of Mesquite:

I am going to introduce our League Executive Director, David Fraser. We also have the Chief Financial Officer from the City of Las Vegas, Mark Vincent. They have a presentation for you here today.

David Fraser, Executive Director, Nevada League of Cities and Municipalities:

I will mention that next to me, as Mr. Bennett said, is the Chief Financial Officer for the City of Las Vegas. I am going to give a high-level presentation in response to a request from the Chair. As we take questions, if you ask technical enough questions that I cannot answer, I have Mr. Vincent here with me. I would also note that there are finance directors for several of the other cities in the audience. If any of the questions become city-specific, they are here to answer them.

Chair Kirkpatrick:

I will say, for the Committee, that we have been hearing local governments for the first two weeks, but I thought it would be easier, rather than having all the cities and counties present only the revenue side in this Committee, just to have the League and the Nevada Association of Counties (NACO) give us a brief overview on how it works so we get the gist of it. Our staff has been great in providing us with information in their *Revenue Reference Manual*, but it would be nice to have a broad overview. Not that we would mind hearing from 17 counties and however many cities we have, but it is more efficient to do it this way.

David Fraser:

That broad overview is just what you will get. You should each have received our handout "Nevada League of Cities Revenue Presentation" ([Exhibit E](#)), and I am going to follow that. I may spend less time on some of the slides and a little more on others. I would mention that, as cities, we tend to provide municipal services such as public safety, parks, neighborhood services,

development services, and that type of thing. What differentiates us from the counties is that they provide more of the regional services such as hospitals and social and family services. As we talk about this, just bear in mind that we provide different kinds of services.

The data in the handout comes from our five largest cities. Those aggregate totals are from those five largest cities, which represent about 95 percent of city revenue statewide. If you were to extrapolate that to a statewide number, you would be pretty close if you took 105 to 106 percent of those numbers. I would also mention that the same holds true for our base on 2011 budgets as filed.

There are three types of revenue. There are general purpose revenues, which are not to be confused with general fund, that can be spent for any purpose within the city's authority. There are special purpose funds that are restricted either by law, by the vote by which they were approved, or by the conditions of a grant received. Lastly, there are enterprise funds, which are derived from fees paid for service. General purpose funds comprise about 56 percent of city revenues, special funds about 20 percent, and enterprise funds about 24 percent. The pie chart shows the dollar amounts for each type of fund.

The next page shows a breakdown of general purpose funds by revenue source. With any city, you are going to see very similar proportions. The consolidated tax (CTX) comprises about 40 percent of cities' revenues. The consolidated taxes are actually a consolidation of six different taxes—the Local Government Tax Distribution Account, or CTX—the largest piece of which is sales tax. The other revenue sources on the chart are, in descending order, property tax, franchise fees, license fees, municipal court fees, charges for services, room tax, and then a very small amount of other revenues.

The next slide breaks down the CTX and property tax, while the following slide simply shows the breakout of the other general purpose revenues.

The next slide is a pie chart showing the breakout of the special revenues. The voter-approved property taxes are 28 percent of the total, while grants comprise 30 percent and interlocal agreements are about 15 percent.

Special purpose revenues, again, are revenues designated for a special purpose, either by statute or a vote of the people. A good example would be a school bond issue where you go to the people and say you want this property tax levied for the purpose of bonding for this school project. Then, as those revenues come in, they are designated specifically for that purpose by that vote.

We do not actually use those revenues for schools, but that is probably a good example to use.

Some of those special purpose revenues may be statutorily designated. In the case of a federal grant, those funds would be designated for the purposes for which you received the grant, which will be specified by the federal government. Then, of course, motor fuel tax is specifically designated in intergovernmental agreements as you enter a contract, and then you set those monies aside for that.

Sales taxes can also be special purpose revenues. For example, in Clark County, the voter-approved portion of sales tax revenue that goes to the More Cops fund would be a special purpose item designated only for that purpose. Room tax is the other significant portion of special purpose revenues. The bottom of the next slide lists the revenues that make up the "Others" category.

The next slide shows a breakout of the third type of revenue—the enterprise fund revenues—which are revenues derived from specific user fees. You can see on this chart that the largest of the enterprise fund revenues is from utilities. There are a couple of reasons for that. Number one is that most of a city's enterprise funds are the utilities themselves. In addition, there are very significant costs associated with providing infrastructure for those utilities. In fact, at this time a lot of our utilities infrastructure is aging in both the north and the south. Infrastructure maintenance costs and replacement costs can be very high.

Additionally, in the enterprise funds, you may also have building funds, parking funds, culture and tourism, and golf funds. These may vary from city to city. Not every city will have parking funds or golf funds, but those are some of the ones that are significant enough across the various cities to be mentioned here.

Chair Kirkpatrick:

May I ask Mr. Vincent a question about this enterprise fund? What happens if the enterprise fund is supposed to be used for utilities, but local government tends to borrow it for other things and then raise my utility rates? How does the money get paid back? Where is the accountability? And when do my utility rates go back down?

Mark Vincent, CPA, Chief Financial Officer, City of Las Vegas:

If we are borrowing money from the enterprise fund, our budget act is going to require us to do either an interfund loan or some other loan document, so that payment has to go back to the enterprise fund. For example, such a transaction

was done by the City of Las Vegas because, at the time, the enterprise fund did not need that money for the capital projects, which were not scheduled until later. There is, in fact, a loan agreement in place for that. However, I am not sure you meant the money was borrowed.

Chair Kirkpatrick:

I am trying to be nice about it, but if you are shifting dollars from one account to another, and my utility rate goes up, when does my utility rate go back down, and when is the money supposed to be paid back? If I give my daughter \$20 and tell her to pay me back by Friday, usually on Friday she is asking for \$20 more. I keep tabs on all these utility rates. We are shifting funds to pay for the older utilities, but I am not sure how that works. Maybe now is not the time to answer the question, but I would like some input on how cities handle it across the state.

Mark Vincent:

I believe all cities have a sanitation or water enterprise fund. It is not uncommon for them to charge something similar to a franchise fee or a payment in lieu of taxes fee. That is fairly common, and it is not uncommon for them to charge franchise fees for other utilities as a rent, if you will, for the use of the right-of-way. That is common.

Chair Kirkpatrick:

Do I get to determine if the taxpayers are paying too much for their “rent”? Let me go to a different question, because I believe sometimes I am paying too much for my “rent” on some things. When you say franchise fees, going back to the slide that talks about general purpose revenues, is that why that is such a large piece of the pie?

Mark Vincent:

Yes, you will find that the biggest part of the franchise fees is included in the electric bills. From my professional perspective, it is a rent for the use of the right-of-way. The right-of-way belongs to the public, and if a private entity or a communication system or a utility such as a power company or gas company is using it, it is appropriate that they pay for that.

The rate is capped in statute. Not every city is typically at the maximum, but I think you will find that, in the south, we are pretty much all at the 5 percent cap. Up north, many of the rates are below that 5 percent—perhaps only 2 or 3 percent.

Assemblyman Livermore:

Explain to me the process of joint purchasing when you use general purpose money, enterprise money, and the like. It is great to have this pool of money with which to buy a piece of equipment, but is it appropriate? How do you share not only the purchase amount but also the use? If enterprise funds buy 25 percent of the piece of equipment, are they required to prove that 25 percent of the use of that equipment is theirs?

Mark Vincent:

Let me clarify joint purchasing. Often, we are buying commodities that span multiple functions or even cross jurisdictional boundaries—we do joint purchasing with other cities, as well. When we have similar commodities or similar specifications, we encourage that.

Typically, when we make a joint purchase, whoever needs to avail themselves of that commodity is going to do so independently, so their piece of it is going to be charged—their fund or their city. Occasionally, there might be an asset that has common use, such as a piece of equipment. Radios are typically sole purpose, but you can purchase a piece of equipment that might have use at the sewer plant and also in public works.

As most of the large cities do, we in Las Vegas have an internal service fund that controls the allocation of the acquisition, replacement, and maintenance costs based on who is using that asset. That is a typical accounting treatment for something like that.

Assemblywoman Bustamante Adams:

Could you give a specific example of how money has been borrowed and transferred from the enterprise fund to something else, and then explain the process by which it has been paid back?

Mark Vincent:

I can give you a couple of examples in Las Vegas. Several years ago, we had a situation where the funding streams between the regional flood district and the regional transportation district were not in sync. Of course, flood projects are often in the middle of the right-of-way for the road project. We did what I would call a short-term loan from our internal service fund under a special interlocal contract with the regional flood district so we could advance-fund the sewer portion of that so we would not do one project and then rip up the street to do another project.

In every one of those cases, it allowed us to let the contracts so the projects could go in parallel. No cash actually changed hands; the interfund loan allowed us to let the contract, if you will. Those were all within a fiscal year cycle.

The other one was something I mentioned earlier. A year and a half ago, the City of Las Vegas borrowed \$15 million from the Las Vegas sanitation fund for the purpose of redeveloping two projects, primarily the Las Vegas Museum of Organized Crime and Law Enforcement, better known as the Mob Museum, as well as some infrastructure projects in our 61 acres of the Symphony Park project. The Department of Taxation approved that as an actual loan in place, and the redevelopment agency is actually making payments to the sanitation enterprise fund for that loan.

That was a formal loan process that spanned multiple years. All the other cases were within the current fiscal year, so they really were not formal loans.

Assemblyman Munford:

You say you increased the rates of utilities to fund and finance a lot of these city projects?

Mark Vincent:

For the record, we have not raised our utility rates for the last two years. We do have a consumer price index escalator in our rates, but the City Manager and the City Council elected not to raise those rates for those two years. So, the interfund loan did not cause an increase in rates, and there was no anticipation it ever would. Maybe it would help to understand the process.

Chair Kirkpatrick:

Maybe you could not make it specific to Las Vegas because there may be other cities that did raise their rates. I know my city raised its rate.

Mark Vincent:

Typically, you are going to find that when the rates are raised, they are not being raised because of any loan transaction or any kind of pilot program or franchise fee. It is because of either a capital project that is driving that—as you can perhaps find in North Las Vegas—or you are going to find, as in our case when we raised our fees six or seven years ago, that we had not raised them in ten years. We had some catching up to do, so that was why we raised our fees then. It would be very woeful if somebody raised their rates because they were loaning money out of the enterprise fund. I just do not see that happening in any local jurisdiction.

Assemblyman Munford:

Probably the average resident, the common Joe on the street who is struggling to provide a living for himself, is not aware of the fact that sometimes the city does this and they end up having increased rates on utilities. Just in my district, which is a lower socioeconomic area, District 6 in west Las Vegas, if you have raised the rates, why have more projects not been directed into that district? We are an area that is still denied and seems to be without the basic economic development projects that other areas have. Why is our area always so ignored?

Chair Kirkpatrick:

Mr. Munford, I asked not to be Las Vegas-specific.

Assemblyman Munford:

I just hear this all the time from my constituents, and it disturbs me a great deal.

Chair Kirkpatrick:

Let me ask the question in a different way. Why do some of these accounts have such large reserves? Is there something we require that allows it to be used for additional projects? I am wondering why. If those rates—whether they be for sanitation or utilities or whatever—are too high, maybe we need to go back and lower them so we do not have this expendable money out there to utilize.

My biggest question, though, is I cannot seem to figure out, within any local government budget—because they are very complicated and difficult to read—how that money goes back to the constituents. It always seems to be part of the city's 20-year plan, but it is part of my monthly plan. I am just wondering what that process is, and how would you find it?

Unless you are an accountant, you cannot read the city budget; it is too complicated. I cannot imagine us wanting to read the state budget because it has to be a hundred times worse.

Mark Vincent:

Here is what I was trying to describe, and I will use a Las Vegas example, as I am more familiar with Las Vegas. We are letting a contract that is going to be upwards of \$100 million for renovation of three, what they call trucks, if you will, of the several we have that process raw sewage. We are going to begin upgrading those, some of which are more than 20 years old. That is a long-term construction project. We are not going to spend \$100 million in this

fiscal year but probably over three fiscal years. I do not know another city that has done a formal loan like this. I think this is a unique situation.

The catalyst that caused the \$50 million formal loan for Las Vegas was when the markets were crashing and we had redevelopment bonds out to sell. We could not sell the amount we thought we could for the projects we had on our plate.

We did a ten-year projection on not only our sewer operating expenditures but also our capital project plan based on when we thought we were going to have to pay for those contracts, knowing they were multiyear contracts. We were able to fit this interfund loan comfortably within that schedule. Otherwise, we would not have done it. No rate increases were involved. It was just a matter of timing of cash flow.

With respect to your question regarding reserves, you have to have those funds in place in order to take on a multiyear contract for a \$100 million project. We have a unique situation where our wastewater is going into our drinking water supply, so the quality of the treated wastewater is necessarily higher than what you might find elsewhere. We are treating to higher standards, and there are environmental issues that come into play.

The reserve funds are partly because of the timing and scheduling of large capital projects. They are also related to having some reserve there in case some environmental issue were to come up and we had to immediately do something significant.

Chair Kirkpatrick:

I am sorry, but enterprise funds are an issue that has been bothering me for awhile. Is the amount of reserve on hand consistent throughout agencies within the cities? I ask that because when the water agency or sanitation wants a larger reserve, my rates go up for the future. I just had to take \$200 out of my savings to make sure the cities have that within their savings. Many times I have seen cities loan or charge "rent" with these enterprise funds. It is terrible to say this is a shell game when you are moving the same dollars over, but it seems my constituents are feeling the pain of it right now while we are building up some reserve.

If there is not some consistency, is that something we need to look at so somebody does not have so much money that they want to use it for something else? Or is that an accounting mechanism that I should probably not worry about?

David Bennett:

Mesquite represents a smaller to mid-sized city around the state. It is obviously not one of the five largest. You will find our financial statements much simpler. Thinking back over the past 12 years, there was one time when a loan like this was actually made with our sewer enterprise fund. We actually listed this small, short-term loan in our schedule of debt service within the financial report along with every other bond payment we had to make.

Every public agency in the state has to go through certain audits every year by independent auditors. Had we not paid that money back in the three or four years in which we needed to pay it back, it would have been an auditable offense. There are some mechanisms in place to make sure those monies are repaid if you do those types of interfund loan transactions.

As for raising rates, there is a political cost. As an elected city official, there is a political cost every time you have to raise rates of any kind. If you had \$20 million sitting in a fund as a reserve, and you transferred that money to other funds and lost it, you are not going to be reelected. The people will sweep you out of office and put more fiscally responsible people in.

Chair Kirkpatrick:

Unfortunately, my trash and sewer bills have already gone up, so that does not help me. But I am happy to be able to vote against them.

Mesquite does a great job. Can you get a copy of an old transaction that may have taken place in a simpler form so we can see the process and see where it is on that bond report? Trying to navigate through the tax system to see what you actually report is cumbersome. I have asked people who have dealt with just that type of thing, but they cannot seem to provide that information. I have never asked the city for it. Feel free to say no.

David Bennett:

I will do that. Upon return to Mesquite this afternoon, I will call our finance director. When this happened, he was not our finance director, but I am sure we can pull up one of those transactions and find the portion of our debt service in our financial statement that deals with that.

Mark Vincent:

Unfortunately, the budget pages required by the Department of Taxation are not going to be very useful for that. Where you are going to find these disclosures is in the comprehensive annual report. There you will see there is a financial obligation on the part of one fund—in our case the Redevelopment Agency (RDA)—to pay the money back to the enterprise fund.

I concur with you regarding the lack of specificity in the state budget process. It does not help you. For that \$50 million loan, we did have to get the Department of Taxation's approval. We not only provided them with the analysis of our schedules of the enterprise fund's operating and capital needs based on our 10- and 20-year capital plans, but we also had to prove to the Department of Taxation that the RDA would have the ability to pay it back. Otherwise, they would not have approved the transaction.

Chair Kirkpatrick:

What happens if you do not pay it back? Is there a fine or a penalty? Do they withhold your CTX money? Does anything happen to you?

Mark Vincent:

No, there is no penalty other than the political penalty.

Assemblyman Ellison:

I do not believe in storing money just to store it, but when there is a capital project, I agree you need to save that because of the bond conditions. You still have checks and balances. I am sure you have to deal with debt management and such agencies, so there is not a large amount of money piling up somewhere just waiting for somebody to grab it. Maybe you can address that.

Mark Vincent:

There is a lot of scrutiny. Bond raters and underwriters love to see us with large reserves; it makes them very comfortable, and it is easy to sell bonds. Some of us up north and down in Las Vegas just got our bond ratings downgraded for reserve issues. It is something they look at.

We are always trying to weigh the balance of what is a proper reserve to have for fiscal stability, particularly when we are still trying to recover from this economic downturn. What is the fairest and best thing to do for our rate payers is a delicate balance.

At the risk of making a suggestion, our building and safety enterprise fund, under Chapter 354 of *Nevada Revised Statutes*, actually has an oversight committee that monitors its fund balance. Yes, there are checks and balances throughout the system. When you are doing capital project plans beyond five years, it is difficult to be precise and perfect, though, so we are always updating and reviewing those.

Assemblywoman Bustamante Adams:

I want to echo Chair Kirkpatrick's interest in understanding that process. Are you required to get approval from your city council before any transaction of that nature is done?

Mark Vincent:

Yes.

[Chair Kirkpatrick exited the room, passing the gavel to Vice Chair Munford.]

Vice Chair Munford:

Are there any other questions? [There was no response.] Please continue with your presentation.

David Fraser:

There were a couple of questions specifically asked in the request from the Chair, and I want to make sure we cover those.

Regarding the second-to-last slide ([Exhibit E](#)), one of the questions was about who collected our revenues. The answer is that most of our revenues are collected by someone else. The state collects the CTX, which is the largest component of our revenues. The county collects the property tax, which is the second-largest component. The only thing the cities collect is actually the room tax, or transient lodging tax, most of which is distributed to the local school districts.

Mark Vincent:

I would just add that we also collect the license fees, franchise fees, and charges for services.

One of the questions the Chair asked was about what taxes we collect locally that benefit the state. While it is not a direct benefit, a good portion of the transient lodging tax we collect goes to support county school districts. That indirectly helps the state by helping fund school operations.

David Fraser:

The last slide contains some pieces of key information we thought would be helpful. Over three years, property taxes are down 16 percent and consolidated taxes are down 18 percent for our member cities. While I will not get into a discussion of Dillon's Rule here—although I would be happy to later in some other setting if you like—it is important to note that about 85 percent of our revenues are not controlled by the local governing body. Also, about 60 to 70 percent of our revenues are spent on police, fire, and judicial services.

Within those areas, public safety staffing is down 11 percent. Nonpublic safety staffing is down 13 percent.

Assemblyman Stewart:

You noted that the property tax and CTX were both down. I believe we raised the room tax last session. Has that stayed stable with that raise, or has it gone down?

Mark Vincent:

The drop in the room rates has more than offset any increase. We have not seen any increase. In fact, we have seen a decrease in those revenues. However, we have seen room rates, particularly in the south, start to creep back up. Occupancy had been fairly stable, but the room rates had fallen considerably.

Vice Chair Munford:

Every time I come here, the subject of the CTX comes up. There is a formula for how that is distributed, is that right? [Mr. Vincent replied in the affirmative.] We will not go into that today, but I think that should be broken down later to see how the percentage for each city and county is determined. A lot of our freshmen might not understand how the CTX is really broken down.

Mark Vincent:

That is an interesting discussion. Based on the projections we just saw from the Department of Taxation, we are going to have some anomalies down south as a result of the formula as it exists today. We are going to have a situation where the larger cities and the county are not going to be able to share in future growth because the drop in assessed value has obliterated any growth from the population, which are the two key statistics in the formula. It is going to produce some interesting results.

Vice Chair Munford:

I always hear North Las Vegas, Boulder City, and Henderson talking about their share. They want it to be increased. That has been quite a debate, and I think we may have to revisit that down the road.

Next on the agenda is the Nevada Association of Counties (NACO). Mr. Fontaine, are you going to be the primary spokesman?

Jeff Fontaine, Executive Director, Nevada Association of Counties:

Yes, I am. With me is Commissioner Ray Williams from Lander County. We have some financial people in the audience to answer questions. I want to thank the Committee for the invitation to come and present an overview of

taxes and revenues for the counties. I will try to make this a high-level presentation because we have 17 counties, and they vary in size and revenues. I also want to mention that many of the revenues previously described by the League of Cities are also revenues the counties have, but then there are revenues unique to counties as well. Lastly, I want to mention that, like the cities, many counties also provide municipal services. The counties also provide regional services such as hospitals, social services, courts, and things of that nature.

I am going to ask Commissioner Williams to make a few comments before I get started.

Ray Williams, Jr., Commissioner, District No. 3, Lander County:

For the record, we are very proud of the work your Committee on Taxation does. We are also proud of NACO and the work they do keeping us informed and up to speed on what is going on. We are also very proud of Jeff Fontaine, who is our leader and advisor. It is a pleasure to be here today. I will be here to answer any questions I am qualified to answer.

Jeff Fontaine:

Page 1 of our handout "Presentation to the Assembly Committee on Taxation" ([Exhibit F](#)) shows a breakdown of county revenue structure, including taxes and fees. I have listed them in order of percentage of budgets.

Property taxes are a major source of revenues. These include property taxes on homes, businesses, assessed properties such as utilities, and the net proceeds of minerals tax.

Consolidated tax (CTX) revenues are the next largest source. Mr. Vice Chair, as you said, we could probably talk about this all day; we just listed the six components of the CTX. These are collected by the state and distributed to the counties as a tier I distribution and then, within the counties, to the cities and other taxing districts by a rather complex formula called the tier II distribution. Other revenues are also listed on the slide in order of percentage of the budget.

Slide 2 presents, in order of the questions posed by Chair Kirkpatrick, the taxes collected by counties for their own funding purposes. You can see those listed on the slide. As you can see, the local optional sales tax and the county motor vehicle fuel tax are actually collected by the state and redistributed to the county of origin.

There was a question earlier about the local transient lodging tax. The state tax that was raised in the last session was raised for revenues to go into the State General Fund, at least for this biennium. That is the state portion of the tax. In addition, there is a local tax that varies from 1 percent to 16 percent. It varies by county, and it even varies within a county by cities and districts.

There is also a large range in the local optional sales tax, and I will go into that in more detail later.

Lastly, the range on the county motor vehicle fuel tax is related to a mandatory 4 cents a gallon that all counties are required to impose and to another optional 1 to 5 cents a gallon that some counties have imposed. In addition, Washoe County has imposed an inflation index on gasoline tax at the local level, so that is why you see that at 10.72 cents a gallon.

The next slide contains a pie chart showing the total ad valorem tax, or property tax, collected by the various counties. As Mr. Fraser indicated, the counties are the property tax collectors for the state and the local taxing districts. The total for all the taxing districts that receive a portion of it is approximately \$1 billion. Obviously, the bulk of that comes from Clark and Washoe Counties.

The next slide shows CTX revenues received for Clark and Washoe Counties. The important point to note in this slide is the decline in CTX revenues since the beginning of the recession.

The next slide is a graph of property tax collections for Clark and Washoe Counties. We are not necessarily comparing apples to apples here, and I apologize for that. The revenue shown for Clark County is for general fund operations only. For Washoe County, it is for all government functions.

One thing interesting to note is the decline in property tax revenues for the counties. You will also notice that property tax revenues continued to increase up through fiscal year (FY) 2009 even though assessed valuation started to decline a couple of years earlier than that. That is a function of the property tax caps and the abated value that the counties were able to use to continue to tax against and stabilize the actual revenues. With the assessed valuations in both counties declining to the point where they no longer had that abated value to tax against, though, you can see the actual decline in property tax revenues.

The next slide is fees collected by counties for their own funding purposes. This is not intended to be an all-inclusive list, but you can see some examples. I know there was a discussion of local franchise fees. The counties do have

that authority. I am certain not all of the counties have imposed local franchise fees, but both Washoe and Clark Counties have.

Like the cities, counties have various enterprise funds for utilities. The assessments are for special districts such as a neighborhood or a group of businesses that want to put in special improvements.

The next slide lists taxes and fees collected by counties for the state. This is not intended to be an all-inclusive list, but it gives an idea of some of those.

The next slide shows property taxes collected by counties for the state. This is a breakout of property taxes and their allocations. The last two items are the 5 cents in capital and 4 cents in operating revenue that were redirected to the state from Clark and Washoe Counties during this biennium.

Lastly, we have the taxes and fees collected only in specific counties. The slide shows a few examples. Those optional sales taxes statewide, according to information from the Department of Taxation, are about \$400 million, and they are declining. These are for very specific purposes and require legislative approval. I will show you where there is a listing of those.

The last slide is other information regarding local government revenues. These are other taxes collected by the state and returned to the counties. Of the state motor vehicle fuel tax, 6.35 cents a gallon is returned to the counties and cities for local street and road projects. That revenue is actually distributed in four separate accounts and used for specific purposes. Some of those revenues can only be used for maintenance, some can be used for maintenance and construction, and they are also distributed according to various formulas such as population, road miles, and land area.

I would note that neither cities nor counties receive any portion of the diesel tax imposed by the state. The other tax related to motor vehicles that I omitted is the governmental services tax (GST). When you register a vehicle with the State of Nevada, you pay your basic registration fee to the Department of Motor Vehicles (DMV), or to the county assessor if you are registering your vehicle with the county. The additional amount of money you pay on your vehicle, the GST, is based on the assessed valuation of your vehicle. Four percent of that valuation is added onto your registration fee, and that goes back to the county and the schools. The DMV also gets a collection fee for registering your vehicle. Of that, 6 percent goes to the State Highway Fund and the other 94 percent goes back to the county.

I am not going to go through the rest of the information in detail. Much of it comes from the Department of Taxation's annual publication on tax revenues. I thought I would call your attention to page 14, which is a listing of the local optional sales and use taxes, just to give you an example of where they are, when they were imposed, and the amounts they generate.

What is important to note about this is what those local optional sales taxes are used for. We believe they are used for projects and programs that are reflective of the community's desire. For example, in White Pine County, those funds are going for a swimming pool. In Clark County, they are going toward flood control. In Washoe County, they were for the train trench.

There is additional information about the CTX on page 17. You can see the breakout of where the six elements of the CTX come from.

[Chair Kirkpatrick returned to the room and took back the gavel.]

Chair Kirkpatrick:

Can I let you leave it at that? We are going to have an extensive CTX conversation later, so I will let you off the hook for that.

Jeff Fontaine:

Thank you. On page 20 is a breakout of the net proceeds of minerals tax and how that is distributed between the state and the individual counties. The last two pages are from the *State of Nevada Transportation Facts and Figures* book produced by the Department of Transportation. This is a breakout of the State Highway Fund.

Specifically, on page 22, you can see the county taxes, licenses, and fees. Those are related mostly to the GST, but I would point out that those revenues are also declining. Either fewer vehicles are being registered or people are holding onto their cars longer so the assessed valuation is going down.

There is more information about this and other matters in that *Facts and Figures* book as well. That concludes my presentation. Again, I want to acknowledge the Department of Taxation. There is a lot of information on its website. The Department prepares monthly reports that break out a lot of this information. The counties submit their annual budgets to the Department of Taxation, and those are available for review and inspection. With that, I would be happy to answer any questions.

Chair Kirkpatrick:

Does anybody have any questions? [There was no response.] On behalf of the entire Committee, we want to thank the League of Cities and NACO for hosting the event last night, and we appreciate the opportunity to mingle and get to know our elected officials across the state.

Is there any public comment? [There was no response.] Staff handed out two papers ([Exhibit G](#) and [Exhibit H](#)), and I am going to let Mr. Nakamoto go over them. Then we will briefly discuss Tuesday's Taxation meeting to give everyone a preview of what to expect.

Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau:

We have provided you with two handouts. The first ([Exhibit G](#)) is the full-color booklet, *2010 State of the States, the AGA Survey of Casino Entertainment*, produced by the American Gaming Association. It gives various information on casino gambling, including racetrack casinos, otherwise known as racinos, throughout the United States.

This booklet will show, for every state that has casino operations, the number of operating casinos, the format, the number of employees, information on gross gaming revenue, and the tax rate for the various jurisdictions. This only reflects state-licensed casinos within these jurisdictions. It does not reflect Indian casinos in each state. If anybody has any questions, I can answer them right now. [There was no response.]

The second handout ([Exhibit H](#)) is based on the handout we prepared and presented at the last meeting on how the Tax on Gross Gaming Revenue and the Estimated Fee Adjustment work. This handout is titled "Table 3: Actual Total Win, Taxable Gaming Revenue, and Percentage Fee Tax Collections." This is more history of the actual numbers as reported by the State Gaming Control Board for total win.

As you can see, this is a breakout of both the win from slot machines and the win from games going back to fiscal year (FY) 1991. Games include roulette, 21, baccarat, and those types of gaming activities. There is also information on taxable gaming revenue, which is the amount of revenue subject to the tax, which is the total win minus the credit issued that was not repaid.

There is further information on the ratio of taxable gaming revenue to win and the average effective tax rate paid. There is a box containing information on the estimated fee adjustment (EFA). Going through, you can see there is variation in some years. In some years this amount is positive, and in other

years it is negative. I would note that, in FY 1991, you will see that the EFA number is zero and that is because the EFA was not put in place until FY 1992. If there are any questions on this document, I will answer them at this time.

Chair Kirkpatrick:

If there are no questions, then Mr. Nakamoto will go over Tuesday's meeting.

Michael Nakamoto:

At Tuesday's meeting, we will have a presentation from the Department of Taxation on the consolidated tax, or CTX. The documents that have been prepared by the Department for this presentation are actually included in the materials presented this last Tuesday. There is a section on the CTX, so if you bring those documents with you, that is what Mr. DiCianno and his staff will be presenting on the CTX.

We will also be hearing two bills on Tuesday. One of them is Assembly Bill 47, which has to do with the CTX and is being brought forth by the City of Fernley. We will also be hearing Assembly Bill 46, which is being brought forth by the Division of Water Resources regarding certain assessments they levy. If there are any questions about that, I will be glad to answer then,

Assemblywoman Pierce:

Do we have the CTX somewhere on the Nevada Electronic Legislative Information System (NELIS)?

Michael Nakamoto:

That is correct. That information was placed into NELIS for the Department of Taxation's presentation on Tuesday. I can make sure that information is replaced into NELIS for this coming Tuesday's meeting so it will be available on both days.

Chair Kirkpatrick:

Here is your big chance, everybody. I have been keeping track of everybody who had CTX questions. The presenter is well aware there will be a million questions, so please help me keep my word that we are going to keep him very busy on that presentation. This is the one time we can get all of these questions out because the waters tend to get muddled. We will hear those bills afterward that deal specifically with the CTX, so all the more reason to get those questions answered.

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If the Committee has nothing else, I will see you all on Tuesday at 8 a.m.
Thank you. We are adjourned [at 10:34 a.m.].

RESPECTFULLY SUBMITTED:

Mary Garcia
Committee Secretary

APPROVED BY:

Assemblywoman Marilyn K. Kirkpatrick, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Taxation

Date: February 17, 2011

Time of Meeting: 8:03 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	John Hester	Handout: "Sales Tax Increment Projects and Funding"
	D	Ron Smith	City of Sparks Presentation on STAR bonds
	E	David Fraser	Nevada League of Cities Revenue Presentation
	F	Jeff Fontaine	Presentation from NACO to the Assembly Committee on Taxation
	G	Michael Nakamoto	Booklet: <i>2010 State of the States, the AGA Survey of Casino Entertainment</i>
	H	Michael Nakamoto	One-page handout: "Table 3: Actual Total Win, Taxable Gaming Revenue, and Percentage Fee Tax Collections"