

**MINUTES OF THE JOINT MEETING  
OF THE  
ASSEMBLY COMMITTEE ON TAXATION  
AND THE  
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT**

**Seventy-Seventh Session  
February 7, 2013**

The Joint Assembly Committee on Taxation and the Senate Committee on Revenue and Economic Development was called to order by Chairwoman Irene Bustamante Adams at 1:05 p.m. on Thursday, February 7, 2013, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to the Conference Room, Berg Hall, Great Basin College, 1500 College Parkway, Elko, Nevada and to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, 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 [nelis.leg.state.nv.us/77th2013](http://nelis.leg.state.nv.us/77th2013). In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: [publications@lcb.state.nv.us](mailto:publications@lcb.state.nv.us); telephone: 775-684-6835).

**ASSEMBLY COMMITTEE MEMBERS PRESENT:**

Assemblywoman Irene Bustamante Adams, Chairwoman  
Assemblywoman Peggy Pierce, Vice Chairwoman  
Assemblywoman Teresa Benitez-Thompson  
Assemblyman Jason Frierson  
Assemblyman Tom Grady  
Assemblyman Crescent Hardy  
Assemblyman Pat Hickey  
Assemblyman William C. Horne  
Assemblywoman Marilyn K. Kirkpatrick  
Assemblyman Randy Kirner  
Assemblywoman Dina Neal  
Assemblyman Lynn D. Stewart



**SENATE COMMITTEE MEMBERS PRESENT:**

Senator Ruben J. Kihuen, Chairman  
Senator David R. Parks, Vice Chairman  
Senator Moises (Mo) Denis  
Senator Debbie Smith  
Senator Ben Kieckhefer  
Senator Michael Roberson  
Senator Greg Brower

**COMMITTEE MEMBERS ABSENT:**

None

**GUEST LEGISLATORS PRESENT:**

None

**STAFF MEMBERS PRESENT:**

Russell J. Guindon, Principal Deputy Fiscal Analyst  
Michael Nakamoto, Deputy Fiscal Analyst  
Joe Reel, Deputy Fiscal Analyst  
Gina Hall, Committee Secretary  
Mike Wiley, Committee Secretary  
Gayle Rankin, Committee Secretary  
Gariety Pruitt, Committee Assistant

**OTHERS PRESENT:**

Jeremy Aguero, Principal, Applied Analysis  
Dan Musgrove, representing the City of North Las Vegas  
Shari Buck, Mayor, City of North Las Vegas  
Timothy R. Hacker, ICMA-CM, City Manager, City of North Las Vegas  
Chris Nielsen, Executive Director, Department of Taxation  
Cadence Matijevich, Assistant City Manager, City of Reno  
Lisa A. Gianoli, representing Washoe County  
Jeff Cronk, CPA, Director, Financial Services, City of Sparks  
Mark R. Vincent, CPA, Chief Finance Officer, City Manager's Office, City  
of Las Vegas  
Richard A. Derrick, Director, Finance, City of Henderson  
Josh Foli, Comptroller, Lyon County

Nickolas Providenti, CPA, Director, Finance, Carson City  
Warren B. Hardy II, representing the City of Mesquite  
Mary C. Walker, representing Carson City, Lyon County, Douglas County,  
and Storey County  
George W. Stevens, Chief Financial Officer, Department of Finance,  
Clark County  
Jeff Fontaine, Executive Director, Nevada Association of Counties  
(NACO)  
Wes Henderson, Executive Director, Nevada League of Cities and  
Municipalities  
Carole Vilardo, President, Nevada Taxpayers Association  
Gerald Zochowski, Director, Finance, City of North Las Vegas  
Mendy Elliott, representing City of Fernley

**Chairwoman Bustamante Adams:**

[Meeting was called to order, roll was taken, and protocol was explained.] I will now ask Mr. Jeremy Aguero from Applied Analysis to come up to the table. He is going to give us a presentation about the interim study. For those of you who did not digest CTX on Tuesday, he is going to give a little bit of a review and then go over the recommendations that the Legislative Commission's Subcommittee to Study the Allocation of Money Distributed from the Local Government Tax Distribution Account came up with. We will then have our fiscal staff give a bill explanation. We will wrap up with testimony. Welcome Mr. Aguero, please begin.

**Jeremy Aguero, Principal, Applied Analysis:**

I appreciate the opportunity to be here today. I have prepared a presentation ([Exhibit C](#)) that I understand everyone on the Committee has. As stated, there is a lot of technical information included here. I am not going to revisit all the nuances of the Consolidated Tax (CTX) Distribution as it has already been presented to you. What I would like to do is highlight the efforts that we went through during the interim, in support of the local government working group that got together to review the CTX and come up with a series of recommendations.

I have a couple of timeline related issues. On June 15, 2011, Assembly Bill No. 71 of the 76th Session was created. There were many things going on last session that led to the creation of an interim study. In particular were some aberrations relative to how the CTX was going to be distributed, particularly in Clark County.

In the fall of 2011 our firm, Applied Analysis, was retained jointly by the City of Henderson and the City of Las Vegas to review and analyze the CTX formula. I mention this to let you know what our process was and to underscore the reality that our clients had very different interests relative to the CTX. I guess on the surface their interests were to help alleviate some of the challenges that were created, but solutions that benefited the City of Henderson would often be to the detriment of the City of Las Vegas, and vice versa.

Between February 1, 2013, and August 30, 2012, there were a number of Subcommittee meetings held. In addition, the stakeholder group, which was largely made up of local government representatives and some other folks who were knowledgeable in the area of local government finance, got together to review both the CTX and a number of alternatives.

What is the CTX? It is a formula that is used to distribute selected revenues among Nevada's counties and throughout its political subdivisions. I will not spend a lot of time on what it is from a technical standpoint.

There are six taxes that are included. Many of them are extremely important from a local government revenue standpoint. The CTX is among the largest source of revenue for local government. When we think about ways in which we would fashion a tax that we would impose, the way we would collect it, and the way we might think about distributing it, it is extremely complicated. It also reflects an evolution over time. This is something that has gone through many iterations to get to where it is today.

I am not going to go through all of this but am happy to answer any questions should they arise. I will put up the flow chart, showing the distributions, so we are all on the same page relative to the number of steps that it takes to ultimately collect and then distribute the CTX. We like to refer to this sometimes as the "choose your own adventure tax," because there are different ways you can end up and different things it can actually do.

It has also been something of a moving target. I do not want to leave you with the impression that the tax we have today is where it necessarily started. I am not going to go through all of the changes that led to the CTX as we know it today, but rather put up the regular session changes and some of the special session changes that have occurred over the past decade-plus that led us to where we are today.

In 2011 it became very evident that the CTX had some problems. We were left with two choices. One would be to address those problems. The other would

be to live with some very different results that would come from that. Let me talk for a moment about some of the challenges that led both to the interim study and to the underpinnings for the analysis we did in working with the local governments to fashion a consensus solution.

The original CTX formula favored slower growing entities. Essentially this is commonly referred to as the one-plus methodology. This was very intentionally designed so that local governments would not compete with each other for population and assessed value growth, resulting in their getting additional tax dollars. This was not a mistake. It was very thoughtfully designed, but was intentional, so that when local governments grew they would not get a disproportionate benefit as a result of that growth.

Changes occurred to the CTX in 2001 with some unintended consequences. One of these changes included removing that one-plus language. There has been some criticism of the changes, and these were not necessarily ill-conceived relative to the reasoning behind them. Remember that during this period of time we were the fastest growing state in the United States, and had many of the fastest growing localities anywhere in the United States. When you have a tax that essentially favors areas that have no growth against areas that are growing among the fastest in the United States, it creates a disparate impact. This led to challenges and the need to change something. We needed to make the consolidated tax in some ways more adaptable to this growth, so two major changes were made. One of those major changes was eliminating one-plus in favor of no one-plus, which meant that the formula would now disparately favor faster-growing areas. The concept of the "base" was also changed.

Instead of the base being what was originally conceived (whatever you got this year would become your base for next year), we decided we were not going to do that anymore. What we were going to do was establish a base. We were going to let that base grow by the rate of inflation, with the full expectation that total revenues were going to grow faster than the rate of inflation. We were going to let the second part of the distribution, what we refer to as excess, get bigger and we are going to distribute that differently toward faster-growing areas. For a while that worked great and then the economy turned down. We had negative growth rates, then we had crazy distributions, and things got much more difficult.

The CTX formula struggled to adapt to that boom-bust cycle. It worked fairly well on the way up. It also worked similarly on the way down, which meant that the faster-growing areas that became disproportionately dependent on that

excess—the after-base distribution—also lost a greater amount on the way down. Our state ranks number one in the nation in the decline in property values. In many areas, depending on which set of statistics you look at, we are down somewhere between 40 and 50 percent in terms of property values, and in some jurisdictions much higher than that. The distribution of CTX is largely dependent upon that change in property values. Because of that, that 50 percent decline would essentially dwarf any increases that you may have had in population. And, whether a home is worth \$300,000 or a home is worth \$150,000, you still have to provide services to the people who are occupying it. So the formula stopped working, at least the way it was intended to.

There were concerns over legacy-based allocations. There were concerns about how the base was constructed and how the base exists today. These were what gave rise to this review process. The Subcommittee set very strict guidelines in terms of what the expectations were for this review. We tried to follow those as closely as we could.

Our project began in September 2011. The local governments got together as many as 40 times. There were discussions with all of the local governments. There were northern-specific and southern-specific discussions. There were discussions relative to special districts that receive the CTX. There were discussions that were held in the north and in the south. Every one of our meetings used online services. This allowed people from all over the state to participate, both in terms of calling in and of being able to see every one of the presentations that was created.

As a basis for our analysis, both the City of Henderson and the City of Las Vegas required us to reconstruct the CTX model. This was a substantial exercise, but it also allowed us to ensure that the model we had created matched what the Department of Taxation had shown, in terms of distribution, to all of the 150-plus jurisdictions that have received the CTX over time, in terms of both the first-tier and the second-tier. It also allowed us to test any number of scenarios. The end result was version number 100 of that model. We tested dozens of scenarios. Some made a lot of sense, while others ended up being very difficult in terms of practical reality. It gave us the ability to make sure everyone had the opportunity to review it. The City of Henderson and the City of Las Vegas, having engaged us, instructed us that any request we received from any local government we were to run and evaluate. I will not go through each one of these. I will merely put them up, just to give you an idea of the levels that we went through. I want to extend my appreciation to the folks who created the original CTX. They spent a great deal of time and thought in doing that, and they spent a lot of time with us here. I also

appreciate all the local governments, the Legislative Counsel Bureau, the Department of Taxation, the Nevada Association of Counties (NACO), and the League of Cities and Municipalities who all worked with us during this process.

The bottom line is that we had 40 meetings over eight months. The items that I will show you here today were generated based on a general consensus among local governments. They were reviewed by the Department of Taxation, and we shared our analysis with the Department of Taxation. They were tireless in ensuring that we had the data that we needed from them. This ultimately led to a unanimous acceptance by the Subcommittee of the recommendations that are here.

There were eight recommendations. I will walk through them briefly, and I am happy to go into them in more depth if needed.

The first two can be taken together because they are both base-related issues. The first one is the base carry forward issue. The second one is a five-year Consumer Price Index (CPI) issue. As I told you before, in 2001 we changed the way that the base was treated for the CTX. It allowed the base to grow independent of the distribution that happened in any specific year. The recommendation was to eliminate that, as well as to take a five-year CPI average instead of the one-year average.

I want to make sure we are 100 percent on the same page here. The CTX is distributed in two buckets. One is called the base, the other is called the excess. I do not want to leave you with any impression that the excess is in any way extra or additional monies that are out there; this is not the case at all. I have heard it called the "pie on the crust." I will demonstrate as we go through this that some local governments were dependent upon the excess, based on the changes that we made, for as much as 50 percent of the CTX that they were receiving. This was not new money. This was simply a second tier of distribution.

If we look at the excess in statewide terms with a fast-growing entity and a slow-growing entity in terms of excess as a percentage of the total distribution, you will see that there is a pretty material difference between fast-growing entities and slow-growing entities. If I am getting 20 percent and you are getting 43 percent of your revenues from excess, you are going to be a little more or less dependent upon those revenues. As an example, we show Washoe County in 2006, sort of at the peak ([Exhibit C](#)). You can see the difference in those distributions was 27 percent on the high side and 19 percent on the low side.

The next slide deals with the treatment of the CTX base. Currently what is used is the prior year's CTX allocation minus any excess allocation times one plus the percentage change in the CPI. What that says is you have a base and every year we are just going to grow it by CPI and that is the base you are going to get. The recommendation is that we use the prior year's CTX allocation times one plus the average percent change in CPI during the preceding five years. There are two things that have changed here. One, we take out the clause that says minus any excess allocation. This means that whatever you got this year is going to be your base to start for the next year. This is more logical. It is a better tax policy. It makes it more transparent, more predictable, and more stable. In addition, we understand that there are periods in which we have the risk of negative inflation, but we also have the risk of hyperinflation. Those can happen in one year. They are not likely to happen over a five-year period, so the group decided that adjusting for CPI over a five-year period, instead of using any one single year for those adjustments, was better tax policy.

The next slide, showing the "whys," I have already gone through. Carry forward is better in terms of economic policy and tax policy; it allows the CTX to actually adapt over time. It limits the misconception that excess is somehow extra, and the five-year CPI provides some insulation against the sharp ups and downs of inflation.

The third of the recommendations, the second major category, deals specifically with the "plus factor." Today the plus factor is at zero-plus. We are actually operating under one-plus in many jurisdictions because everybody is negative and we automatically default there—when you try to divide everybody by zero, it does not work, so we default back to the one-plus. The recommendation here is to go from the zero-plus to the 2 percent plus. Let me explain why this happens. The next slide shows the City of Mesquite. This is a very good example of what happens when the CTX fails to have a plus factor in any meaningful way. During 2012 Mesquite was one of only a couple of jurisdictions that had positive growth, and that is only because its negatives were recorded later than its positives were. Because it was one of the only jurisdictions to have positive growth, it was the one that would be able to accept and receive any excess distributions. It actually had a positive factor that allowed it to take a percentage, but because there were no other jurisdictions it would have gone from receiving \$1.7 million per year to getting about \$19.8 million in a single year.

Clearly this was not what was intended by the CTX. It created some degree of concern. I want to point out this is what was happening when the economy

was going down. We are now using five-year formulas to distribute the excess when the economy is on its way back up. That excess is growing. In about three years one or two jurisdictions are going to become positive again, and they will be the only ones. When that happens, essentially a jurisdiction that was receiving about \$150,000 per year or one that was receiving about \$1.5 million per year will receive as much as \$115 million in that single year, at the expense of all other jurisdictions. This is the problem that is created by what we refer to as the "zero-plus dilemma."

So, we were at one-plus, which could also be restated as 100 percent plus—that is what we are adding to your growth rate—then we shifted over to zero percent plus, and now we are at 2 percent plus. Many people have asked why you end up at 2 percent plus. Why would we not look for something that is in the middle, possibly around the 50 percent plus range? But think about it in terms of growth rates themselves. I am a fast-growing jurisdiction growing at 10 percent per year and you are a slow-growing jurisdiction growing at 2 percent per year, when we compare the difference between my 10 percent and your 2 percent, that is a pretty wide difference. We add that up and ask who is going to get the distribution. But, if we add 100 percent to our growth rates, now I am at 110 percent and you are at 102 percent. The difference between 110 percent and 102 percent is not that big anymore. The reality is that growth rates are much lower than 100 percent, much lower than 50 percent, much lower even than 25 percent. So we did an evaluation of all the growth rates from all the jurisdictions and looked at the bottom quartile. What does a slow growing jurisdiction normally have in terms of growth? What we also did is simulate (because we had built the model) to see if since the inception of the CTX our slow-growing entity as a base would have eliminated the challenges that we had in terms of both the run up and the run down. The answer to that was yes. It made sense in terms of providing a balance between the stability that was rightly designed in using the one-plus methodology and the ability for the CTX to adjust in areas that are growing that came from the zero percent. This was the middle ground.

Currently what exists is zero percent in some counties and 100 percent in other counties, or one-plus and zero-plus, if you prefer to think about it that way. What is recommended is that we go to 2 percent plus in urban counties, Washoe and Clark, and one percent plus, or 100 percent plus, in all the rural areas. Why would we want it to be different in urban areas versus rural areas? The reason is that there are relatively few jurisdictions in rural areas. If you take a very small community, and it adds 100 people, it would have a very large growth rate all of a sudden. Also, when the census comes out there could be much lower growth rates that occur. When those two things happen, the

potential for risk and abnormality is greater in those rural jurisdictions, so the discussion that came out of the local government group was that the one-plus works well for the rural jurisdictions. It does not work well in urbanized areas and, therefore, a bifurcation was recommended.

These are all the reasons why creating a nexus between revenue growth and community growth increases stability and approximates the rate of growth for all entities. I think one additional consideration is important. When the CTX was originally created it was designed with the intention of not allowing growing areas to capture more. I do not want to leave you with the impression that what they did before was somehow in error, because it absolutely was not.

The next recommendation for change is setting a floor on property tax declines. Some jurisdictions have a lot of population relative to the property they have. Other jurisdictions have a lot of assessed value or property development relative to their base population. The idea of using both of these elements is to create equity between these two interests. Setting a floor for property tax declines means that should we have a 30 percent reduction in property values, it would be capped on the way down, essentially not allowing large declines in property values to dwarf increases in population growth. I have again used Washoe County as an example in terms of showing those declines. This indicates that population growth is nowhere near 12.4 percent to 17.5 percent, meaning that Washoe County is left with negative growth rates across the board. What we do currently is add the population factor to the assessed value factor. The sum cannot be less than zero. What is being recommended is that the population factor can be less than zero, but the assessed value factor cannot be less than zero. They are then added together in order to create the distribution factor. Again, I realize this is somewhat technical, but what it does is allow distributions to always be dependent on population growth, and the vast majority of the time to be dependent also on assessed value growth. It does not allow us to run into the problem where a sharp decline in assessed value is going to make the formula not work. We do not want those sharp declines to impact us. Declines reported over the past four years have essentially overshadowed that and we need to correct it.

The fifth recommendation is a change in the memorandum of understanding dates. Currently, if local governments have received some of their revenue estimates and, in receiving those, think there is a problem with them, they want to get together as a group of local governments and say there is a better way for it to be distributed. Historically, that had to be done by December 31 of the preceding year, which was very difficult in terms of timing and the need to get together. The recommendation is that April 15 of the current year be the new

date when these memoranda of understanding can come forward relative to the second-tier distributions. There are many reasons for this. This is technical, relative to the timing of when estimates are released and ensuring the Department of Taxation has the time to do what it needs relative to getting the information to the local governments. We believe this provides a balance on both sides of that equation.

In terms of the last three recommendations, I understand there are other bills in place that will potentially take up some of these issues, but these were things that came up as part of the CTX working group. One is relative to the population estimates. The CTX formula is remarkably dependent upon population estimates. When the new census came out, there were relatively significant changes to population in some areas. Historically, we have not gone back and said we did not lose 10 percent of our population this year, but rather we overestimated population in the several years preceding this, so we need to go back and fix it. We have not historically done that. In some cases that large change in population has the potential to materially affect the distribution of the CTX. This is something we will need to keep an eye on. The second one is library districts. Part of the assembly bill that gave rise to the Subcommittee was specific to the idea of library districts. It is important to point out the library districts were included in all the discussions we had. We had important conversations in terms of areas that have library districts and those that do not, including areas where special districts like library districts should receive different distributions. There was a great deal of clarity here relative to how library districts were created and why single-purpose districts are treated differently than places like cities and counties that undertake many different activities. This was all laid out.

The last was the recommendation of incorporation clarification. Today if you want to incorporate and become a new city you have to go to the county and negotiate with them relative to the redistribution of CTX. The county has an incentive, if you will, to provide the lowest possible estimate in terms of what the municipal services are that are being provided to that unincorporated area. In turn, the folks who want to incorporate have a vested interest in ensuring that number is higher so they can provide services under their new incorporated city. Providing additional clarification in terms of this process is both necessary and appropriate. The local government working group came up with some ideas relative to the redistribution of revenues and the two things brought forth by the Subcommittee were settled. One is the clarification that comes in terms of new incorporation. The second is that there needs to be clarification to ensure that everyone is on the same page. An incorporated city that desires to go back to its county because it is going to take on some additional services,

should have the ability to do that, and the process should be clear. That said, the incorporation of a new city should not increase the tax burden for everyone else so they can be brought somehow on par with all other jurisdictions. Essentially, the creation of a new jurisdiction should not make government more expensive, unless the citizens of that jurisdiction decide they are willing to tax themselves.

What I have shown you is the consensus that the local government group was able to come up with in the end. I feel this is improved tax policy, and it will make the CTX better in the future at addressing regional concerns. What we have put in place helps solve some of the challenges that were brought up by those in the north, in the south, and throughout the rural counties.

I appreciate the opportunity to provide this information and I am more than happy to answer any questions you may have.

**Chairwoman Bustamante Adams:**

Are there any questions from the Committee? We will take Senator Kieckhefer and then Assemblyman Grady.

**Senator Kieckhefer:**

You said that when the CTX structure was initially devised and when it was amended, there were intentional choices to make it benefit faster-growing or slower-growing communities. You stated that there is a tilt one way or another based on the proposed new formula. Is that the case?

**Jeremy Aguero:**

No, sir. I do not think that is the case at all. I think what we have tried to do is take away the advantage to slower-growing jurisdictions that were under the one-plus, take away the benefit to the fastest-growing jurisdictions that were under the zero-plus, and find a middle ground between them. There was a lot of debate, questions, and discussion about where that number should fall. Your comment was at the heart of every one of those discussions.

**Senator Kieckhefer:**

Do you feel you got there?

**Jeremy Aguero:**

Yes.

**Senator Kieckhefer:**

Can you identify potential economic risk factors that might undermine the system? What might those be? You talked about gaps existing when our economy changed. How could our economy change, going into the future, that would affect this negatively?

**Jeremy Aguero:**

There are a couple of things that could theoretically happen. Number one is a sustained period of deflation. If we have a long period in which prices are dropping, that has the potential within the formula to be problematic. This has not happened at any time during our lifetimes so we are not terribly worried about that. There could also be a condition where we had massive population out-migration within a county. That could certainly occur, and that would shift us back into the one-plus mode where we are today. I think some people would view this as problematic. I do not think it would be as problematic as it is today. That would not have ever happened. We modeled against it. A good friend told me, if we have five consecutive years where we average minus 2 percent population growth, we have a whole lot of other problems we are going to be talking about at the Legislature and at the local government level.

I feel the rural counties, over time, are going to be dealing with some of the same problems that the more urbanized counties have had to deal with. They will find that there will be areas that are growing faster or slower than others. There will be an evolution relative to the creation of new governments or a shift in terms of the way services are provided within governments. Because we have left the rural counties in at the one-plus, which I agree with and I feel is the right thing to do, we set ourselves up over time to have to reenter some of those conversations at any point when they begin dealing with some of the issues going on in Washoe County or Clark County.

Those are the big three things that come to my mind. I would suggest that they are relatively modest, in terms of risk, but no formula is perfect. We tried to do the best we could to limit our exposure to those types of items.

**Chairwoman Bustamante Adams:**

Assemblyman Grady.

**Assemblyman Grady:**

I would like to go back to the incorporated cities. I have two questions. If a new city or a city takes over a library district and the library district was getting a portion of the CTX, does that move with them to the city?

**Jeremy Aguero:**

The answer to that question is not always entirely clear. That is why we need to have clarification. As an example, let us imagine you are the county and I am the new city that is going to be created. I have a responsibility to petition you for some of the services that I intend to provide. In doing that there are specific services, such as public safety, that are specifically called out relative to the CTX movement from place to place, but it is not necessarily limited to that. A brief answer to your question is you would have the opportunity to obtain some of those dollars, but you would not necessarily be guaranteed to receive some of those dollars.

**Assemblyman Grady:**

When you say that you are not guaranteed, is there a negotiation then between the city and the county, or the city and the Department of Taxation? Who is the discussion with at that point?

**Jeremy Aguero:**

There is quite a bit of a process that goes on. It involves the aspiring locality, the county, the Committee on Local Government Finance, and the Department of Taxation. They all have a role to play relative in how that redistribution works.

**Chairwoman Bustamante Adams:**

Assemblywoman Neal.

**Assemblywoman Neal:**

I need you to further educate me. I know you were part of the process. You looked at the slowest rate of growth and you considered the negative assessed value of the property. What is the situation with why North Las Vegas is still feeling like there are inequities within this actual setup? The biggest concern I had when we took the five-year average of the CPI was that it was going to encapsulate negative growth in goods and services and this would somehow be thrown in, and the negative population growth in North Las Vegas due to the high foreclosures was going to somehow put them in a position where they were not able to come out on top, or level off in maybe 15 years. Help me to understand, if those factors were considered, why is everybody not happy?

**Jeremy Aguero:**

I need to be very cautious in terms of, respectfully, not answering on behalf of the City of North Las Vegas. I know they are here and I am sure they will come up and have a conversation. I have been a limited party to some of these conversations. I will tell you what I do know. From the work that we went

through during the working group over those 40 meetings, over those 8 months, I would be very surprised if North Las Vegas would come up and essentially say that the distribution mechanics I have laid out here for you are in any way problematic for the City of North Las Vegas. I would expect them to say that, in terms of the distribution mechanics on a go-forward basis, what we have offered here and what the bill provides is a superior alternative to what exists today. Had this existed a long time ago, North Las Vegas would be in a better position today than it is now, and the likelihood is, if we stay with what we are doing today, North Las Vegas will be in a better position 15 years from now than they are right now. That would be my expectation. From an analyst's perspective, that is what happens as I run the model out for a 15-year period. As I alluded to, in terms of the things that gave rise to the discussions, the one on the bottom was the one that dealt with legacy base allocations. I think where North Las Vegas' concerns come in is that their base is lower than they believe it should be for any number of reasons, and that while we improve their position on a go-forward basis, it does not address all of their concerns relative to the legacy that exists since the inception of the CTX, or even before.

**Chairwoman Bustamante Adams:**  
Assemblywoman Pierce.

**Assemblywoman Pierce:**

In regard to the annual base calculation, are you recommending using the previous year but not taking out the excess allocation?

**Jeremy Aguero:**  
That is exactly right.

**Assemblywoman Pierce:**

On the next slide, where you say "why," in explaining this you start with excess carry forward creates distribution inequities. Are you recommending something that creates inequities? Am I getting that right?

**Jeremy Aguero:**  
No. Let me provide clarification, and I apologize if I was not clear in my presentation.

There are two pieces to the distribution. The first is the base and second is the excess. Currently the base just gets adjusted every year by inflation, and really since about 2002 that is what we have been doing. That requires the excess to get much larger, and then from an economic standpoint the local governments all get the opportunity to compete for those excess dollars based on how much

assessed value growth they had and how much population growth they had. What we are recommending is that whatever you get this year gets added to your base for next year. Using North Las Vegas as an example, if they grow, they are going to have additional excess that gets added to their base. They get that for time and all eternity. Going to the specific element of your question: how are we creating this better equity relative to the tax base by essentially shrinking the excess? The way that we do that is by creating less competition because we are not having that excess added to every single year. It is not growing nearly as big, which means that folks become more settled in their base. There is less competition over that excess. The reason I bring this up is that the distribution mechanics between the base and excess are very different. Places that were fast growing did great when there was lots of excess but did awful on the way back down. We want to eliminate the potential for that specific inequity, and that comes from reducing the amount of the excess.

**Chairwoman Bustamante Adams:**

Assemblywoman Benitez-Thompson, and then Assemblywoman Kirkpatrick.

**Assemblywoman Benitez-Thompson:**

So for the assessed values, with setting that floor it cannot be less than zero, so the floor will be zero?

**Jeremy Aguero:**

That is exactly right.

**Assemblywoman Benitez-Thompson:**

If it is negative, then will it just stay flat at zero until they move back up into a positive area?

**Jeremy Aguero:**

If an area had a negative 10 percent assessed value growth and plus 2 percent population growth, the minus 10 percent would be set at zero. Their factor for distribution would be set at 2 percent.

**Assemblywoman Kirkpatrick:**

I think it is important that folks know that we brought the original founding fathers in who put this in place 20 or so years ago. They actually were able to give us some history on what they perceived was their intention, which took a lot of the myths out. Is that a fair statement?

**Jeremy Aguero:**

Yes, that is absolutely right.

**Assemblywoman Kirkpatrick:**

I was one of the biggest culprits as I kept seeing that the excess was more than 50 percent of everybody's budget and kept believing that it was extra dollars, when in fact it was not because they never really got their initial base to begin with, so when we backfilled it, there was really no extra money left over to distribute. It took knocking me in the head several times to get it, so I understand if members on this Committee do not understand this.

The problem we tried to address, and we had several meetings, and I was pretty hard on Jeremy, was to make sure he met with every single local government to make sure everyone had a fair opportunity to address what they believed their issues were. My biggest concern was the mission to make sure that folks did not count on that excess as much as their base for stability. That is why we wanted to take the base and add the excess to it. We were actually resetting their base every single time, instead of them thinking their base was a certain amount and hoping they would get that amount in their budget. That is when we saw the cuts, and all those other things, is that correct?

**Jeremy Aguero:**

Yes. I should have started my presentation by extending thanks to Assemblywoman Kirkpatrick and the Subcommittee. You guys set the tone and the tenor for the work that was done, without which I do not know whether we would be where we are today. I apologize for not saying that in the beginning.

**Chairwoman Bustamante Adams:**

Are there any other questions from the members of the Committee? Seeing none, thank you Mr. Aguero for your presentation. Now we are going to have our fiscal team go through the bill. I will now open the hearing for Assembly Bill 68 and invite our fiscal team to go through the bill explanation.

**Assembly Bill 68:** Revises various provisions relating to the distribution of certain taxes to local governments. (BDR 32-247)

**Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division:**

Your fiscal team today is a team of one. I am here as nonpartisan staff for the Legislative Counsel Bureau. I am not here to either support, advocate, or recommend any of the changes that are proposed within this bill. My role here is as the staff member for the Assembly Committee on Taxation, as well as one

of the three staff members for the interim study, whose recommendations you will be considering as part as this legislation.

I will go through Assembly Bill 68 section by section. I will start with section 1, which is on line 1 of page 2. Under current law the Department of Taxation is required to use population estimates certified by the Governor on or before March 1 of each year for the purpose of calculating the distribution of revenues among political subdivisions within the State of Nevada.

As we discussed in the meeting on Tuesday, these population estimates are used for the distribution, with respect to the Consolidated Tax (CTX) Distribution, for the first-tier distributions of cigarette tax, liquor tax, and out-of-state revenues that are generated from the basic city-county relief tax (BCCRT).

Under current law, the Department of Taxation is required to change the population percentages used to distribute revenues at the first-tier on July 1 of each year. The Department of Taxation uses modified accrual accounting standards under the Governmental Accounting Standards Board (GASB) rules for these revenue sources, which means that revenues that are generated during the last two months of the fiscal year, May and June, are not distributed to the Local Government Tax Distribution Account until after July 1, because this is what the law requires. Thus, under current law, the Department of Taxation within any fiscal year will distribute revenue for ten months under one set of population estimates, and for the last two months of the year they will use a brand new set. The change in section 1 clarifies *Nevada Revised Statutes* (NRS) 360.285 to require that the population estimates for a fiscal year be used for all 12 months of the fiscal year, and not with the ten-month/two-month split. This is the only recommendation that was brought forth by the Subcommittee that was not part of the working group by Mr. Aguero. This was actually a technical change that was proposed for consideration by Fiscal Analysis Division staff in cooperation with the Department of Taxation.

I will discuss sections 2 and 3 together. Section 2 begins on page 2, line 19. This section talks about the base allocation for each local government and special district at the second tier. As Mr. Aguero pointed out, under current law the base allocation for a local government or special district is the base allocation that they received in the previous year, adjusted by the one-year change in the Consumer Price Index (CPI). In section 2 is the first of the two changes that Mr. Aguero talked about. Rather than use the one-year percent change in the CPI, the change would be based on the average percentage

change in the CPI for the five calendar years immediately preceding the fiscal year for which the allocation is made. This proposed change would become effective on July 1, 2013, for distributions made by the Department of Taxation beginning in fiscal year (FY) 2014.

Section 3 of the bill, which is on page 3, beginning on line 7, makes a further change to NRS 360.680, with respect to the other change for the base allocations that Mr. Aguero referred to, to require that for calculating the base allocation for a local government or a special district, all revenues received by the entity, rather than just the previous year's base, be used to calculate the next year's base allocation, and then that base allocation, that is all the revenue they received in the prior year, is adjusted by that five-year average percentage change in the CPI. The reason this is broken out separately is that this proposed change would become effective on July 1, 2014, for distributions beginning in FY 2015. I would also note that the changes to NRS 360.680 that are proposed in sections 2 and 3 only affect the base allocations made on an annual basis to local governments and special districts. They do not affect the base allocations that are made to enterprise districts. As Mr. Reel pointed out on Tuesday, base allocations to enterprise districts are the exact amount that they received in the prior year, with no adjustments. They will continue to receive the same amount they were receiving in the prior year.

Before I move on to section 4, I will stop for any questions.

**Chairwoman Bustamante Adams:**

Are there any questions from the members of the Committee? [There were none.] Please proceed.

**Michael Nakamoto:**

Section 4 of the bill begins on page 3, line 24. This has to do with the distributions of excess revenues. As you remember, we went through all of the different scenarios under which the one-plus, no one-plus, or the modified one-plus distributions are to be made. As Mr. Aguero pointed out, the changes that were brought forth by the working group as their recommendations, and ultimately adopted by the Subcommittee, are contained within this section.

For the calculation of the excess revenue in all counties whose population is less than 100,000, that is everybody except Clark and Washoe County, the one-plus formula will be used for these distributions. For Clark and Washoe Counties, whose populations are above 100,000, the 2 percent plus formula, or 0.02 plus, is added to the five-year average change in assessed value and the five-year average change in population, depending on whether

you are a special district or a local government. We had gone through all of those particular scenarios where everybody is in no one-plus, except if you were in a county whose net proceeds are \$50 million or higher, or you have negative population growth. Those are all gone. It is now the one-plus in the smaller counties and 0.02 plus within the larger counties. The other portion with respect to the 0.02 plus that I would add, and Mr. Aguero did touch upon in his presentation with respect to the assessed value, the five-year change in assessed value is used unless that assessed value is negative. Under the proposed changes in section 4, if the assessed value is negative, it is automatically set to zero. Mr. Aguero also noted that when the sum is taken, you take the 0.02 plus your five-year average change in population plus your five-year average change in assessed value, and if that sum also becomes negative, then that amount is also set to zero so those amounts cannot go negative. The other thing that is proposed within this particular section, which Mr. Aguero did not touch upon, is if in a county whose population is 100,000 or more, the sum for all of the local governments (that is, taking 0.02 plus these growth rates in population and assessed value) all end up being negative such that they are all set to zero, then the excess calculation that is done for the county in that fiscal year is based on the shares that they received in terms of base. Thus the Department of Taxation still has a method to distribute revenue in case everybody's factor is set to zero. The only way that could possibly happen—that everybody's factor is set to zero—is if every single local government within the county had a population growth of less than 2 percent.

I will stop again and see if there are any questions.

**Chairwoman Bustamante Adams:**

Any questions from the members of the Committee? [There were none.] Please proceed.

**Michael Nakamoto:**

I will move on to section 5 of the bill, which begins on page 11, line 27. Mr. Aguero did mention this as part of his presentation. Under current law, if there are governing bodies of two or more local governments or special districts that are within a county that wish to enter into a cooperative agreement to distribute CTX revenue in a fashion that is different than what is being calculated by the Department of Taxation under the statutory formulas, they are required to enter into an interlocal agreement no later than December 31 previous to the fiscal year for which they wish to enter into this agreement. Section 5 changes the deadline by which the cooperative agreement must be submitted to the Department of Taxation, from December 31 to April 1 immediately preceding the initial year of distribution that will be

governed by the cooperative agreement. Section 5 also requires that a person who is authorized to make administrative decisions regarding cooperative agreements on behalf of the local government or special district who anticipates that the local government or special district will enter into a cooperative agreement, must provide a notice of intent to enter into the agreement to the Department of Taxation on or before March 1 immediately preceding the initial year of distribution, so one month before that deadline they are required to notify the Department of Taxation. The notice of intent must, to the extent possible, include a description of the provisions to be included in the agreement, and may be submitted by that authorized person without a vote of the governing body of that local government or special district. I will note, however, that the notice of intent is not binding on the local government or special district and it does not prevent a local government or special district from negotiating or entering into a cooperative agreement after March 1, so long as the final agreement is submitted to the Department of Taxation on or before the April 1 date. The April 1 date was based on discussions within the Subcommittee with respect to what works for the timing of local governments in terms of preparing their annual budgets. This is right around the time that the Department of Taxation is working with local governments to submit their annual budgets, so the April 1 date was selected as perhaps the best date that works for all parties involved to get this interlocal agreement in place so it can be accurately reflected within the budgets for the local governments starting on July 1.

Sections 6 and 7 are purely technical changes to NRS 354.59813 and NRS 354.598747 that reflect the subsection numbering changes in NRS 360.690, which was amended by section 4. Section 8 of the bill contains the effective dates within the bill. Again, all of the sections take effect on July 1, 2013, for the FY 2014 distributions, except the section that sets the base for everyone at their total base plus excess in the prior year adjusted by inflation, and that takes effect in FY 2015.

That concludes my remarks. If anybody has any questions, I will be glad to answer them.

**Chairwoman Bustamante Adams:**

Are there any questions from the members of the Committee? [There were none.] We will start taking testimony. I am going to start with opposition first. The City of North Las Vegas has three individuals to speak. Please make your way to the table.

**Dan Musgrove, representing the City of North Las Vegas:**

I would like to very quickly go through the amendment ([Exhibit D](#)) and then I will turn it over for comments from the mayor, Shari Buck, and our city manager, Tim Hacker.

I would like you to know that we took this language almost directly from Assembly Bill No. 10 of the 17th Special Session in 2001. This was the bill that the Legislature used to give Henderson a base adjustment back in 2001.

Basically what it says is that a base adjustment allocation will be given to the City of North Las Vegas pursuant to NRS 360.680 in an amount of \$25 million, and those assessments would be included in the base calculation for all respective future allocations. The one difference where we deviated from A.B. No. 10 of the 17th Special Session is this next provision of language, under the new section 7, in that we gave the actual location of where we think it might be in the best interests of all that the \$25 million would come from. Using Mr. Aguero's estimations there is going to be approximately \$61 million in excess this year and approximately \$75 million of excess next year. We would ask that before distributing that, in whatever fashion the Legislature deems appropriate, you would give North Las Vegas essentially money off the top of that excess distribution, and then allocate it throughout the normal process that A.B. 68 would allow for. As Madam Chairwoman instructed us on Tuesday, "I like it, but," and that is how I felt this week, as "yes, but."

Basically we agree with A.B. 68. We have spent a great deal of time working with the formula and we believe A.B. 68 is an excellent solution for things going forward. As you have heard in testimony and some of the questions that were asked, North Las Vegas has an issue with our base allocation and it stems from a number of years. That is something Mayor Buck and Mr. Hacker will talk about. We believe that in order for this to be fair and to have an equitable formula going forward, North Las Vegas needs this base adjustment. That is simply what our amendment says. I would now like to turn it over to Mayor Shari Buck.

**Shari Buck, Mayor, City of North Las Vegas:**

I have served on the North Las Vegas City Council for almost 16 years. Like the nation and the State of Nevada, my hometown is at a crossroads. [Continued to read from prepared testimony ([Exhibit E](#)).]

I watched your hearing Tuesday as the formula was explained. Plus-one, minus-one, over-one, under-one, it is very complicated and very confusing. Let me tell you as a representative of North Las Vegas how I understand this to be.

Under the current distribution, in 2012 the City of Boulder City receives \$547 per resident. The City of Las Vegas receives \$376 per resident. The City of Mesquite receives \$437 per resident. The City of Henderson receives \$291 per resident. The City of North Las Vegas receives \$168 per resident. That is very understandable to me, as I hope it is to you also, for why this formula needs to be changed.

[Continued to read from prepared testimony ([Exhibit E](#)).]

That is a lot of money for our city to have been shorted, and we have done pretty well having had to live with that.

[Continued to read from prepared testimony ([Exhibit E](#)).]

I will now turn the table over to our city manager, Tim Hacker.

**Tim Hacker, City Manager, City of North Las Vegas:**

The City of North Las Vegas appreciated the Subcommittee for providing a venue for collaboration with other recipients of CTX. Participants identified the shortcomings of the historic distribution method and came to an agreement that change was necessary to correct the deficiencies and to achieve a more fair and equitable distribution going forward. [Continued to read from prepared testimony ([Exhibit F](#)).]

Thank you for your consideration of our comments in this amendment.

**Chairwoman Bustamante Adams:**

Are there any questions from the Committee members on the amendment?  
Assemblywoman Kirkpatrick.

**Assemblywoman Kirkpatrick:**

I want to clear the record. I represent 100 percent of North Las Vegas. I am going to clear the record for the constituents who are listening on the Internet, the phone, reading the newspaper. This formula was never based on population, and I have said that for two years! I never told anybody anything different.

Mayor Buck, I have a lot of respect for you. I have been trying to help North Las Vegas, but I am not going to lie to North Las Vegas residents today. It was never based on population. We are not talking about population. I want this to be clear to the residents.

I did try to meet with all of the other local officials so that we could come up with some ideas. Let us see the amendment and understand the formula for how we write it in statute. I have been asking for that since October, when we posted it on the website for everyone in the world to see, and asked if anyone had any comments or questions. We got back two responses. We posted it for everybody. A bill draft was on the website throughout the legislative process and it has never even been done. We were trying to be open and fair about this.

Madam Chairwoman, I am not trying to run your Committee, but let us just cut to the chase, let us see the amendment and let us see how you write it in statute. I have somewhere to be at 3 p.m., but I am happy to be late because I want to have this discussion, and there are no politics in this room. We are having this discussion, and we spent eight months doing it.

**Chairwoman Bustamante Adams:**

For Committee members the amendment is in the binder, and I will let those testifying address the specific sections of the bill that you would like to change regarding your amendment.

**Dan Musgrove:**

As you can see in the suggested amendment we propose adding a new section 7. Again, I used existing language that this Legislature back in 2001 codified, that added a base adjustment for the City of Henderson. The policy is that you add the adjustment. We are open to working with the Department of Taxation, as well as the bill drafters, if there is an easier way to do it. This is what I and our legal counsel came up with, using existing statute, to add the base adjustment. The only difference is that we ask that the Department of Taxation to simply take a portion of the excess, set it aside, and distribute it to North Las Vegas one time, whatever the number of dollars is. We have asked for \$25 million. We are open to working with the Committee as to what is in the best interest of either going forward on a one- or two-year process. Then redistribute the remaining dollars through the normal formula. I think it is that simple. I am willing to listen to the Department of Taxation, if that is something they are not able to do but, again, all I did was look at existing statute from Assembly Bill No. 10 of the 17th Special Session in 2001.

**Chairwoman Bustamante Adams:**

Thank you. Mr. Nielsen from the Department of Taxation is here. Please, can you come up and address this?

**Chris Nielsen, Executive Director, Department of Taxation:**

I am just trying to get my arms around this proposed amendment as well. We certainly did not see this language prior to the Legislative Session beginning. We would have to discuss and review this further to determine whether or not, at least statutorily, it would work for us. Based on the testimony today, I understand the idea is that this \$25 million amount would come out of the tier-two distribution, that adjustment would be made, and it would carry forward from year to year based on the new proposed formula in A.B. 68. Other than that, I would ask that we have some time to review it.

**Chairwoman Bustamante Adams:**

Thank you. Assemblyman Grady, do you have a question?

**Assemblyman Grady:**

This is directed to Mr. Nielsen. If this amendment were accepted, would this be a precedent then for the City of Fernley, or anyone else who thinks or feels they have been harmed, to come forward and ask for equal treatment?

**Chris Nielsen:**

As far as precedent, my understanding is that there was some sort of base adjustment back in early 2001. I was not in state service at that time so I cannot comment, but it sounds like there has been some sort of base adjustment prior to this. As far as whether this is the time for another jurisdiction, such as Fernley, to propose some sort of base adjustment, I would really defer this to the City of Fernley, which I believe has representatives here today.

**Chairwoman Bustamante Adams:**

Are there any other questions from the members? [There were none.] Is there anyone else in opposition? [There was no one.] We will now move to the position of support. I would like the City of Sparks, Washoe County, and the City of Reno to come to the table. For those who are in the support position, please watch as one person moves out so the next person can fill the seat.

**Chairwoman Bustamante Adams:**

Assemblywoman Kirkpatrick.

**Assemblywoman Kirkpatrick:**

In regard to the amendment, this is not exactly the way it was in A.B. No. 10 of the 17th Special Session from 2001. Now it is suggesting that this come specifically out of the excess. I thought North Las Vegas was going to show us how they got to this \$25 million amount. It seems a little unfair to the

Committee that we do not have their fiscal analysis. I thought that they were going to show us how they got to the \$25 million. Henderson got \$4 million in 2001, not \$25 million. There is a big difference here. We are talking about a Twix candy bar and a McDonald's meal. The Committee deserves to know how they got to \$25 million.

**Chairwoman Bustamante Adams:**

Mr. Musgrove, could you please answer that.

**Dan Musgrove:**

We appreciate the question from Assemblywoman Kirkpatrick. We were not asked, so here we are again.

I have with me Al Zochowski, who is our finance director. We have a sheet that was included in the original amendment that was proposed. It should be on Nevada Electronic Legislative Information System (NELIS). We gave it to the Chairwoman at the time we submitted the original amendment. It included another city, that we removed at their request, so that was a part of NELIS, that was our rationale, but we will easily walk the Committee through it, and we will provide copies.

**Chairwoman Bustamante Adams:**

Could you go slow because we do not actually have the physical copy and it is not on NELIS. I can give it to my Committee Assistant to get those copies.

**Dan Musgrove:**

Would you like to postpone this until you have it in front of you? Then we can come back.

**Chairwoman Bustamante Adams:**

For the sake of time I will do that, then we can come back to it. It will take her at least five minutes. For those who were coming in for support: City of Sparks, Washoe County, City of Reno, please state your name for the record.

**Cadence Matijevich, Assistant City Manager, City of Reno:**

I am pleased to be before you today in support of this bill. The City of Reno was an active participant in the interim study and a member of the working group. I would like to express our thanks to Assemblywoman Kirkpatrick, the Subcommittee, and to the legislative staff. I would also like to thank the City of Henderson and City of Las Vegas for their engaging of Applied Analysis and allowing all of us to utilize their services. They were at our avail, to work

through models, and we were very appreciative of those efforts. I believe you have a copy of the resolution adopted by the Reno City Council in support ([Exhibit G](#)). We are pleased to answer any questions.

**Chairwoman Bustamante Adams:**

Thank you so much. I wanted to remind the members of the Committee the resolutions that were provided by the entities that participated are on NELIS.

**Lisa A. Gianoli, representing Washoe County:**

I just want to ditto the accolades and the appreciation that Cadence mentioned. I personally have been involved with this since 1981. I have seen the evolution of CTX to where we are today. The process we used and the work Jeremy did stress-testing this formula was phenomenal. You have our resolution as well ([Exhibit H](#)). We are happy that, hopefully, this is in the rearview mirror.

**Jeff Cronk, CPA, Director, Financial Services, City of Sparks:**

I also wanted to reiterate the testimony we have just heard. I would also like to talk about this from our council's perspective. As you saw in the charts Jeremy provided earlier, there was a lot of volatility for us in the last several years, since the recession hit. We are looking forward to stabilizing some of this and moving forward. We realize that the past is the past, and we recognize that there were some issues with the distribution formula as it existed. We were very appreciative of the opportunity to come to the table. Our concerns were definitely heard. We brought our suggestions. I want to reiterate that our council and our mayor are in full support of this. You have our resolution to that effect ([Exhibit I](#)).

**Chairwoman Bustamante Adams:**

Are there any questions from the members of the Committee? [There were none.] I would now like Carson City, Lyon County, the City of Henderson, and the City of Las Vegas to come forth. Please proceed.

**Mark R. Vincent, CPA, Chief Finance Officer, City Manager's Office, City of Las Vegas:**

We are simply stating that we are in support. You have our resolution on file ([Exhibit J](#)). I also want to thank Assemblywoman Kirkpatrick and the Subcommittee. It is my opinion this was a great example of what we can accomplish when all the local governments come together to work on a project like this. I am very appreciative of the opportunity that was afforded us to solve our own problems, so to speak.

**Richard A. Derrick, Director, Finance, City of Henderson:**

I want to echo Mr. Vincent's comments as well. We are very appreciative of the process and collaboration that was involved, the meetings that Applied Analysis scheduled for this in the north, south, and the rural counties. I believe we reached a formula that will be very positive for the state as a whole. I am very appreciative of Assemblywoman Kirkpatrick's diligence. Thank you. ([Exhibit K](#))

**Chairwoman Bustamante Adams:**

Thank you. Please proceed.

**Josh Foli, Comptroller, Lyon County:**

I just wanted to say ditto to what everyone else has said. We really appreciate Assemblywoman Kirkpatrick, the Subcommittee, and Mr. Aguero for all he has done. We are on board. ([Exhibit L](#))

**Chairwoman Bustamante Adams:**

Thank you, Mr. Foli. Next.

**Nickolas Providenti, CPA, Director, Finance, Carson City:**

I want to report that the Carson City Board of Supervisors did pass a resolution today in support of A.B. 68. Again we want to ditto what everybody else has been saying. We thank Assemblywoman Kirkpatrick and the work that was done.

**Chairwoman Bustamante Adams:**

Mr. Hardy, please proceed.

**Warren B. Hardy II, representing the City of Mesquite:**

I echo what everyone else has said. We appreciate this process. I have personally been involved with this for quite some time. It is nice to see it is wrapping up. Although we did not get our resolution done in time, we do support the proposal as written.

At the end of his presentation I believe Mr. Aguero referenced a couple of outstanding or other issues. Mesquite is one of those entities that is impacted by the population and the demography issue in getting that right. We are continuing to work with the group. We recognize that issue is not for this bill. This bill is fine. In addition, Mr. Aguero mentioned an anomaly that occurred with the City of Mesquite that resulted in them technically being eligible for over \$19 million of excess. We recognized at the time that was an anomaly and it was not really going to happen. We settled that with the other entities through

a memorandum of understanding. We still need to work through that issue, in terms of how that memorandum of understanding will be treated in terms of our legacy based allocation but, again, that is not an issue that needs to be addressed in this bill. I did want to make the Committee aware those were two issues we are continuing to work through. In terms of the bill before you today, we are in complete support.

**Chairwoman Bustamante Adams:**

Thank you. We will now hear from Mary Walker.

**Mary C. Walker, CPA, representing Carson City, Douglas County, Lyon County, and Storey County:**

You have already heard from Carson City and Lyon County. I just want to let you know that all four of our counties, their boards of county commissioners, as well as the Carson City Board of Supervisors unanimously approved the resolution in support of this bill ([Exhibit M](#)) ([Exhibit N](#)). I also want to state that this bill is extremely important for rural Nevada. I have been involved in the CTX, and all the tax distributions in Nevada, for about 26 years. The beginning of the CTX started out fine for the rural counties for the first few years. In 2001 there were some changes made that made the formula so unstable in the rural counties that it created huge problems. When you have a very small local government, Kingston for example, (population of 100 people), and then you have the county, you have a little bit of excess. You might have ten people move to Kingston, the population increases, the assessed value increases, and then you have these huge swings of these revenue distributions that should have never occurred. The changes in this formula that are being presented to you today will eliminate those unstable factors for the rural counties, for now and in the future, and we very much appreciate that.

**Chairwoman Bustamante Adams:**

Thank you, Ms. Walker. We will now hear from Mr. Stevens.

**George W. Stevens, Chief Financial Officer, Department of Finance, Clark County:**

The Board of County Commissioners did not actually adopt a resolution in support but did receive a detailed presentation on the process that was followed and the provisions of the BDR and unanimously endorsed the BDR, and you have our support.

**Chairwoman Bustamante Adams:**

Thank you. We will now go to the associations. Mr. Fontaine.

**Jeff Fontaine, Executive Director, Nevada Association of Counties (NACO):**

The Nevada Association of Counties (NACO) Board of Directors did pass a resolution in support of A.B. 68 ([Exhibit O](#)). It is on NELIS. You also have on NELIS resolutions from seven counties in support of this bill. You heard today that Carson City also adopted a resolution. I am pleased to report that in addition to those counties, Eureka County ([Exhibit P](#)), Nye County ([Exhibit Q](#)), and Churchill County ([Exhibit R](#)) have also adopted resolutions in support of A.B. 68. On behalf of NACO, I too want to thank Assemblywoman Kirkpatrick and the other members of the Subcommittee for working through this very complex issue in bringing this bill forward. I also want to acknowledge Mr. Aguero and the other members of the local government working group for what was a very cooperative, collaborative, and inclusive process. Thank you.

**Chairwoman Bustamante Adams:**

Thank you. Mr. Henderson.

**Wes Henderson, Executive Director, Nevada League of Cities and Municipalities:**

I would like to go on record that the League of Cities is in support of A.B. 68, but I would like to note for the record that the support was not unanimous among all our members. I would also like to thank everyone who was involved in the interim study for all their hard work to come to this resolution.

**Chairwoman Bustamante Adams:**

Thank you. Ms. Vilardo.

**Carole Vilardo, President, Nevada Taxpayers Association:**

Many of you know I have been around a long time and started with the original. In fact, I will leave something with your secretary ([Exhibit S](#)). A problem was identified back in 1995 and that was the way the distributions used to be on the six revenues in question. This is what the original committee did in trying to simplify everything.

One of the things that I have seen happen, and Assemblywoman Kirkpatrick probably knows this as well if not better than I do, is when you look at taxes, whether you are looking at rates, changing bases, or doing distributions, there is a period down the road where you are going to have items occur that were never expected when you first did the distribution. I think what happened with the identification last session was the fact that we had hit a period that really exacerbated some of the distribution issues, is a credit to Assemblywoman Kirkpatrick, the Legislature, and the members of the Subcommittee who put in all the work, and to the Cities of Henderson and Las Vegas that hired Mr. Aguero to run all of these formulas. This is probably

something you will have to do again in seven or eight years, because another set of circumstances that nobody could have expected will come up and need to be straightened out. It was a deliberative process and I am proud that I have been able to see this through from the committee that was formed during the 68th Session (1995) to where it has evolved. I think when it comes to this issue the committees, the legislative committees on taxation, and the Legislature itself have really tried to address this as a policy issue. I believe the bill before you represents good policy, and becomes the next step to addressing the way the formula did work previously, and what it needs to work now, after we have seen the downturn. I appreciate the work that was done. I participated in a few of those meetings. I can tell you that it was a pleasure. I hope that everything else that comes before the Committee is deliberated the same way, as a policy issue. Thank you very much.

**Chairwoman Bustamante Adams:**

Thank you so much, Ms. Vilardo. Are there any other individuals or entities that would like to come and support. [There were none.] Seeing none we will now go back into the opposition position. I would like Mr. Musgrove and his team to return to the table. Members of the Committee now have in front of you the document that they provided ([Exhibit T](#)).

**Dan Musgrove:**

I will address Assemblywoman Kirkpatrick's question as to how we moved from a Twix to a McDonald's meal in our request for a base adjustment. We wanted to come up with a simple way for us to justify our logic, and the best way that we found was for you to look at the document Mr. Zochowski is going to go through. I feel it is important to note that of the 20 members in this room, 13 of you have never served on Taxation before. This is complicated stuff, so in asking for our CTX distribution base adjustments we wanted it to be as simple and understandable as possible. We hope to do that now, and I will turn it over to our finance director, Mr. Al Zochowski.

**Gerald Zochowski, Director, Finance, City of North Las Vegas:**

You have in front of you ([Exhibit T](#)) a four-page document that will, hopefully, show the reasoning behind the \$25 million request we are asking for.

The first report starts with a comparison of the City of North Las Vegas to the City of Boulder in the year 2000. It compares the estimated assessed value (EAV) of Boulder to the EAV of the City of North Las Vegas.

**Assemblywoman Kirkpatrick:**

Madam Chair, I do not want to run your Committee, but I just think that we should not use acronyms so that people know what we are talking about, and really should walk through this. What I will tell the opposition is we spent many months bringing this Committee up to speed, and, as you said, there are 13 new members here; we need this to be clear before we can consider any amendment. Not everyone is going to know what EAV means. I want to make sure the Committee knows exactly what you are talking about.

**Chairwoman Bustamante Adams:**

Please explain the acronyms.

**Gerald Zochowski:**

I apologize for not being more specific. In talking about EAV, it means estimated assessed value of property in a taxing district. The figures that we use for each of the years. We do have this for every year from 2000 through 2011, although we condensed the information so we could look at a smaller report. The EAVs came from State of Nevada records. There is a document that is put out by the state called the "Redbook." It has all of the EAVs of all of the different municipalities and all of the different taxing districts throughout the state. Likewise when we talk about population, the population figures that we use in each of these years come from the state demographer's certified populations, other than the population that we are using for July 1, 2012. That is an estimate, in that it has not yet been certified by the state demographer.

In comparing the EAVs of the City of Boulder to those of the City of North Las Vegas in 2000 they had 27 percent of the EAVs of North Las Vegas. Their population that year was 13 percent of the total population of North Las Vegas. If you add those two figures together and divide by two (I realize that is not the technical formula), but if you do that you come up with an average EAV in population of 20 percent.

Now look at the distributions that Boulder received compared to the distributions that the City of North Las Vegas received. They got 22 percent of the distributions. That is a pretty close figure to the 20 percent, and we have no problem with that. Maybe back then things were somewhat more equal. Now if you fast forward to 2011, the City of Boulder's EAVs are only 12 percent of the EAVs of North Las Vegas. Their population in 2011 is 7 percent of the population of North Las Vegas. That is an average of 10 percent. If you look at the distributions they received that year, they still got 22 percent of the distributions that North Las Vegas was receiving. That

indicates to us that possibly the formula that has been in place has not been working properly.

If we go down a little bit further, the biggest difference is when we look at the City of Las Vegas compared to the City of North Las Vegas. When this started back in 2000 the EAVs were more than six times the EAVs of North Las Vegas. Their population was greater than four times the population of North Las Vegas. They received a distribution that was six times larger than the City of North Las Vegas. When you fast forward to 2011, their EAVs were less than three times that of the City of North Las Vegas. Their population is less than three times the population of North Las Vegas. Their distributions are 5.7 times the distributions that were received by North Las Vegas. This is another indication that the formula was not working properly during this period of time.

I will not go through the other cities. You can see them for yourselves. There is some additional information below when we talk about the years 2013, 2016, and 2019. In the far right column you will see some percentages. Those percentages actually come from the Applied Analysis spreadsheets that were done. According to Applied Analysis, in 2013 Las Vegas will still be receiving 5.5 times the distribution of North Las Vegas. In 2016, they will be receiving just under five times the distribution of North Las Vegas. In 2019, they will be receiving 4.5 times the distribution of North Las Vegas. What this indicates to us is that the formula being presented will work, but it may take 30 to 40 years for it to work.

The next page is just an example of how we arrived at the percentages I was talking about. This is for the year 2011. If you compare the dollar values of the EAVs, and compare that to North Las Vegas' value of assessed values, you will see Boulder City at 12 percent. If you look under 2011 on the first page you will see where that 12 percent comes into play. Going across, it is the same calculation with population. Boulder City had just under 15,100 people. North Las Vegas had 213,000 people. Boulder's was 7 percent the size of North Las Vegas, and you also will see that on that first page.

Going on to page 3, we also take the information that was on page 2 and recreate the percent of total EAVs for the entire five cities of southern Nevada. Boulder City's EAVs of \$565,000 is 1.92 percent of the total EAVs of the five cities. Their population of 15,094 people is 1.39 percent of the total population of those five cities, which happens to be just under 1.1 million people. If we average out those two percentages, they average out to 1.65 percent. That is not necessarily the formula, but it gets in the ballpark of where we think there is a fairness factor that can come out of this. If we took

the total distributions in 2011 and multiplied it by that percentage, the adjusted figure that Boulder City would have received would have been \$5,514,000. They actually received \$7,935,000. The very far right column is our recommendation, and because we do not want to see any municipality receive less in CTX dollars in the future years than what they are receiving this year, we are saying it is okay for Boulder to get the \$7,935,000. When we come down to the line for North Las Vegas, we make up 17.84 percent of the combined assessed value and population of the five cities in Clark County. If we multiply that times the total distribution, you would see where we would have gotten almost \$59.5 million in distributions, when our actual distributions were only \$36.5 million. That is an example of what happened in 2011.

The following page goes through the same example using 2012 EAVs and 2012 population. You will notice that in this instance the total distributions were \$351 million. The percentage of average population and EAVs for North Las Vegas was 18 percent. If it were distributed on that figure we would have received \$63.3 million. That is the difference of the \$25.7 million we believe needs to be adjusted in our base.

With that I will end my comments and try to answer any questions.

**Chairwoman Bustamante Adams:**

I know I have a few questions myself. In going over this I realized you are local governments and are interdependent on one another. If you are interdependent, when you move something from one the others are affected. There is no way that they could not be affected. In the statement it says that no entity in Clark County will lose revenue, so I am trying to wrap my arms around this. You have listed Boulder City, Henderson, Las Vegas, Mesquite, and North Las Vegas. I know there are other entities included in the county, because the district I represent is Spring Valley and I do not see them listed here. I know they are part of the tier-two process. Can you help me understand why those were not included?

**Gerald Zochowski:**

Yes, but the best person to answer this question might be our city manager. When our analysis was done we wanted to compare apples to apples. We were comparing cities to cities. We do have a similar analysis that includes every township in Clark County. If we had used that analysis, the adjustment we would have been asking for would have been \$31 million. We did not believe that throwing those townships into our calculations was the proper thing to do.

**Chairwoman Bustamante Adams:**

If I understand you right, the \$25 million in tier two, which you are referring to as excess, would not be divided and distributed to Las Vegas, Henderson, North Las Vegas, Boulder City, and Mesquite, but would go to North Las Vegas. Would the other entities not be at a loss?

**Gerald Zochowski:**

None of the entities will receive less dollars than they received in the past and, in fact, will receive more. They will have their bases, which will be adjusted by the CPI. Even if the City of North Las Vegas has a \$25 million adjustment there will be excess dollars left over, that would then be distributed by the formula this legislative body is preparing to enact.

**Chairwoman Bustamante Adams:**

I would like Mr. Aguero to come up and give me an analysis on the information on page 4. I still do not understand why the others would not be losing as they are interdependent.

**Jerry Aguero:**

As I have not had a lot of time to review this document, I can tell you what I understand, and you can certainly correct me if I am wrong. Essentially what they are saying is that they are intending to redistribute funds, but only among the selected cities that you are seeing on this piece of paper. The reality of attempting to do that is that you would be forced to pull the money among these jurisdictions as almost third-tier distribution of revenue. It is almost like you are adding another tier to it. With respect to the question of the extent to whether a jurisdiction would be harmed or a jurisdiction would not be harmed, the intent as I understand it is to take money from the excess and use that in order to create some additional equity in the distribution, but only among these jurisdictions. Let me just take one step back before I take a step forward. There is the first-tier distribution that occurs. This is where the money gets distributed to each one of the counties individually, so Clark County as a whole gets all of this revenue. The second-tier distribution is where, within Clark County as a whole, all of the jurisdictions receive the money based on the allocation formula. What would be required to happen, as I understand it, is that those distributions would happen. You see the tier-two distributions occur. For these jurisdictions you would effectively repool the money. For the excess distributions that those would have, there would be a first cut of that excess distribution that would be allocated according to the amendment, as I understand it, to North Las Vegas. Any residual revenue after that would then be redistributed based on the formula.

The question you ask is specific to Clark County. As I understand what is being proposed here, if all of its townships are there, they would be excluded from this third-tier distribution. Again, if I have misunderstood this or have not characterized it accurately, I would certainly defer to the folks who did the analysis.

**Chairwoman Bustamante Adams:**

Assemblywoman Benitez-Thompson, and then Assemblyman Grady.

**Assemblywoman Benitez-Thompson:**

I am trying to be consistent in my comparisons of what the formula has been in the information you folks gave me, but I am having trouble, because I feel like it is apples and oranges, not apples and apples. I feel like we could sit here and say, "if there were more revenue sources than six that went into the pot then everyone would have gotten more," or "if enterprise districts or local governments were not in the second-tier we would have gotten more." If this, and then if that, we would have gotten more. I am having trouble understanding the information that you are giving me, just because you are saying, "if we did it like this, then we would be benefiting," and "since we never did it like this, we are not benefiting." My understanding is that you know the formula. Every year you know the formula, so every year you knew where you were going to end up prospectively. It is not like the goal post was ever moved on you.

**Dan Musgrove:**

The last thing you said is one of the reasons why we want to use the new calculation at this time, and at no other time, because when A.B. 68 goes into effect, any excess automatically becomes a part of your base. Before that happens, what we are saying is no finance director in this room technically has a hard number as to what their excess is going to be. We have Jeremy's estimates, we have the Department of Taxation's estimates, we think we know what it is going to be, but until they deliver that to us we do not have a hard figure. We begin our budgeting process here in a couple of months. We have to submit it to the state by the end of May 18, and that is one of the reasons why Assemblywoman Kirkpatrick is so adamant that this bill needs to move forward and you are hearing it on the second day of your legislative taxation career.

A simple example would be to say North Las Vegas gets \$10, Henderson gets \$20, and the City of Las Vegas gets \$30. The excess for this year is going to be \$30. Now we worry about all the different percentages. If we just give each of them \$10 extra of excess, because we split it fairly, each is going to

get \$10 extra this year. They would not have budgeted for it. They were hoping to get it, but they are going to build their budget just as you said, based on getting \$10 extra. Because we do not want anyone to have actual money taken away, out of that \$30 of excess we give North Las Vegas an additional \$10. We get our extra \$10 based on all of the work we have done with the Subcommittee, the working group, and our own analysis, that our base adjustment is not equal to others. That is the rationale we just went through. Now the remaining cities have \$20 to split up among themselves. Remember that Henderson got \$20 last year and they are still going to get more money out of the excess. They have not budgeted for it yet and it is new money. It may be less new money than they thought they were going to get, but again they are still getting more money. We have not taken away anything that they have ever gotten before.

If we had an additional source of revenue out there we could add to the fund that would be great, but we do not. We are working within a very prescriptive formula of dollars in an excess pool that, again, no one has gotten before because it is excess. It is dollars that will be above their base. Our base is ten steps behind. We just want to get our base up to what is equal, so we are asking the Legislature to consider an amendment that would give us a base adjustment right now, out of the excess. There would still be enough excess remaining in that pool to distribute to everybody that deserves it, and they will get at least \$1 more than what they got last year. That is our position, that we are not taking from somebody. I think that is as simple as I can make it. If there was someone willing to throw \$20 million in the pot, we would take it, be a happy camper, no one would be affected, and we would be equal, but you have to get it from somewhere.

In 2001 there was no formula, it just came from everybody else. In 2001 when Henderson got their base adjustment, the Legislature deemed it appropriate that it came from others. They actually got less than they got the year before. We made a commitment to our sister cities that we would do whatever we could to not let that happen and that is why we are here today.

**Assemblyman Grady:**

I feel like Carole Vilardo, as I have been living with this for the last 20 years also. I would like to compliment the Subcommittee for bringing this legislation forward. My question would be to our staff. Mr. Nakamoto, in section 5, it says that you can do an interlocal agreement. Go home and work on the interlocal agreement. You do not need to be here.

**Chairwoman Bustamante Adams:**

I want to ask a question for North Las Vegas. Is the \$25 million an estimate?

**Gerald Zochowski:**

Yes.

**Chairwoman Bustamante Adams:**

And so what happens if that estimate does not come in? Will you have to take the money from the other entities, like Mesquite and Boulder City?

**Gerald Zochowski:**

Our intent was never to take anything away from any city that is receiving distribution. If the economy tanked again, and there was not \$25 million worth of excess next year, I think we could settle for a portion to help us get back to ours, and maybe over a number of years make up this detriment that the City of North Las Vegas has been in. We are willing to work with and collaborate with everybody, if possible, but we really do believe that we need a \$25.7 million base adjustment, or thereabouts.

**Chairwoman Bustamante Adams:**

If I were the other local entities that would be a big red flag. As you guys are interdependent, and when I watched some of the hearings I know you spoke of that interdependency during that interim study, why could you not have come up with an agreement then?

**Dan Musgrove:**

Maybe Mr. Hacker could come up because he was actually a part of those meetings.

I know Assemblywoman Kirkpatrick has stepped out of the room, and I do not want to speak on her behalf as to her motives behind it, but I think at the end of the CTX study, after that last meeting when there was a recommendation, she realized that North Las Vegas still had a great deal of challenges before them in terms of where we are going as a city. She asked us to put together a list of those things that are facing us in the next four to five years. She realized it would be much better if we could decide this outside of the legislative process so she convened those meetings. She demanded that all the cities and their city managers show up with their finance directors. She even asked the elected officials to show up at additional meetings. We met many times to try to work collaboratively as a county, as a region, because we all want North Las Vegas to succeed. It is important for economic development. It is important for the citizens that we have a vibrant southern Nevada. It looks good for all of us to

be succeeding. To Assemblywoman Kirkpatrick's credit I think she saw that. She asked that we all go in a room, work it out, see if you can do something, and they did. They worked hard but, candidly, nothing came out of it. There were no solutions offered up by any other jurisdiction. The best analogy I can use is that it is like a family of siblings fighting over the same toy. Sometimes you have to go to mom and dad and ask them to solve it for you. That is why we have come to the Legislature. That is where we are today.

**Chairwoman Bustamante Adams:**

Mr. Hacker, do you want to add anything to that?

**Tim Hacker:**

To take the red herring, or red flag, out of the room, I believe the concepts that were put forth and explained by the finance director are to look at the ratios of distribution, to really show that there was disparity in the formula in the past, and what it has resulted in so you are able to see that. Mr. Aguero did a nice job of talking about the buckets. Our focus right now is we are in the basement together with all these other entities. We are coming out of the basement. One of the buckets is pretty much empty and that is the excess bucket. With the change in the formula going forward, as Mr. Musgrove has explained, now is the opportune time to take the growth that is anticipated above the traditionally received distributions to all the entities, distribute it, and fix the inequities. Lastly, it was never our intent to only look at five. We looked at our like-kind entities that exist in southern Nevada in the tier-two distribution. We realize there are others. Mr. Zochowski did reference another analysis that did look more broadly. We realize there are other receivers in tier two. The fact of the matter is, as I believe Mr. Aguero and others from Tuesday's meeting have already told you at length, there are a lot of nuances within each distribution methodology: to an enterprise zone, to a district, to a library district. We only looked at what we could understand and thought we could fairly compare ourselves to. We want everyone to be treated fair and we do believe the time is now, as this proposed amendment to A.B. 68 will really start to move everybody forward to an equal base, but we are not on an equal footing yet.

**Chairwoman Bustamante Adams:**

Assemblywoman Neal.

**Assemblywoman Neal:**

I want to travel back to the statement Mr. Musgrove made about Assemblywoman Kirkpatrick saying "go into the room, come up with what your top five issues are, then sit with your regional sisters, and come up with a

solution." You guys are very unique in your predicament. No one is confused about the inequities that have been a part of CTX in regard to North Las Vegas, but what struck me was if nothing came out of the conversation, because other people were not helpful in solutions, it really was your problem. My question is what solutions did you guys come up with, other than this \$25 million? What were the issues that were set out? What were the solutions that were presented?

**Dan Musgrove:**

Since you directed the question to me, I want to pass it over to my city manager, because he is the leader of our city. I am just the contract lobbyist. I think it is more appropriate that he answer.

**Tim Hacker:**

To answer that question, a paper was put together to look at the challenges that are facing North Las Vegas. It was a pretty expansive list, as far as collective bargaining agreements and the unique challenges that they pose as we go forward. It included bringing on or maintaining a certain level of services in not only emergency services but quality of life issues, such as with libraries, parks, and things of that nature. We looked at long-term liabilities that are created by collective bargaining agreements, and how we should be setting aside money to appropriately address those, as those liabilities will eventually not be so long term. In working with my counterparts, the recommendations about restructuring bond debt or maybe finding ways through other mechanisms within the State of Nevada that could help us maybe buy down some interest on bonds and things, are very practical and pragmatic. By the same token, we have been suffering for the last five or six years with a dramatic loss in our EAV, well beyond 50 percent. We have been struggling with that and have adapted to that, but bonding and restructuring of bonds for us right now, with the ratings that we are currently at with Standard and Poors and those kinds of groups, does not make real practical sense unless the State of Nevada was going to come in and underwrite those obligations, and we do not know if that is appropriate.

The other things that we have done are employee cuts. We have had dramatic reductions. Where other cities definitely have felt the pinch and have definitely had to reduce staffing, I do not believe any of them can come here and tell you today that they have reduced staffing to almost 50 percent. We have still maintained the level of service in our community. We are still maintaining a quality of life, and a lot of that has to do with our residents self-imposing additional fees and taxes on themselves.

Again, going back to what Mr. Aguero said, we cannot say excess was an absolute guarantee. It truly was above and beyond the base that was received in that particular time frame and distributed. And, as he pointed out, when we fell hard and lost 50 plus percent of our EAV, we did not lose population to that degree, so the demands were still there. We lost a significant amount of that funding.

**Assemblywoman Neal:**

I am going to say something that is probably going to hurt a lot. I represent North Las Vegas. I read your economic development reports. I have read the strategic plan. When you put a solution on the table, examine the city as a whole, and look at what you are doing right to fix your problems, what have you set out as your five-year plan? Your ten-year plan? There are some distinct problems with what that plan is, and it has not made a lot of sense to me. This is how it is being perceived. You want this \$25 million and you do need it, there is no question that you need it. We know there have been inequities in CTX. What would you do with the money if you did get it? What would change the problematic decisions that have been made? I know you are a new city manager, and I know you are dealing with previous mistakes and mismanagement that happened. If you got the money, what would be different in moving forward? How would this economic development plan that you guys currently have make sense for the residents as it has not made a lot of sense in terms of what is true economic growth, what is true diversity.

**Tim Hacker:**

I will try to be as succinct as possible. I believe everybody in this room has made decisions and have had to live with those decisions over time. I believe that the City of North Las Vegas has recently stepped up to the challenges and has had to take some very bold initiatives, not ones that were favored, but ones that needed to be taken to continue to serve our residents. That is really what we need to come back to, what is in the best interest of our residents. As a city manager, I feel we are a nimble organization. We are going to continue to be nimble, but we are going to look at ways to bring back service levels that have been lost in our community. We want to do that. We want to continue to look our unions and employees in the eye and try to find ways to continue to improve services. We also recognize that there are outstanding obligations and agreements from years ago that we are still living under. We do not think we are unique in that way, but we are definitely committed and have shown that. I believe over the last year, tough decisions were made, which we think are right and correct, and in the best interest of our residents. Again it gets back to fairness. We just want, at this unique opportunity, to be able to look our residents in the eye and say the Legislature has truly taken the CTX issue on as

a creative formula that is going to be very beneficial and will create equity going forward, and that they addressed inequities today.

**Chairwoman Bustamante Adams:**

We are going to wrap this up. I appreciate you bringing this forth. I do not want to put the other siblings on the spot, but I do want to ask Boulder City, Mesquite, Henderson, and Las Vegas to provide me with written comments on the amendment North Las Vegas is bringing forth. I would like this by Monday at 1 p.m.

Since the Department of Taxation has not seen the amendment, I would also like you to provide something for me.

With that we are going to switch to the neutral position. Is there anybody in neutral who would like to come forth?

**Mendy Elliott, representing the City of Fernley:**

We were originally not going to be coming to the table but since we have been mentioned several times today I thought it was appropriate. Just for everyone's information, we are in litigation with the State of Nevada so our comments will be brief.

With me today is our interim city manager Daphne Hooper; our new city manager, Chris Good; and city council members Roy Edgington and Susan Seidl. We also would like to thank Assemblywoman Kirkpatrick and the Subcommittee for all their hard work during the interim and, of course, Mr. Aguero and the entire working group.

The City of Fernley's mayor responded on October 17, 2012, when Assemblywoman Kirkpatrick asked for comments ([Exhibit U](#)). Just as a point of reference, the City of Fernley receives \$7 for each of its citizens. We are the seventh largest city in the state and we are 30 percent of the population of Lyon County. Lyon County receives \$14 million dollars. The City of Fernley receives \$138,000 a year to run its city. We are in litigation. You ask why the parents cannot get together with the children; frankly it was because the statutes do not require Lyon County to meet with us. We have requested meetings on numerous occasions and our requests have gone unanswered. If there are any questions, I have staff present, as well as council members, who would love to come to the table and respond to questions.

We are neutral on the bill. We think the mechanics of the bill are excellent, but with a base of \$138,000, whether it is plus-one, plus-ten, plus-two, minus-five; it does not matter as it does not help the citizens of Fernley at the end of the day.

**Chairwoman Bustamante Adams:**

Are there any questions from the members of the Committee? [There were none.]

Are there any public comments from Elko? [There were none.] Are there any public comments from Las Vegas? [There were none.] Are there any public comments here in Carson City? [There were none.]

[([Exhibit V](#)), ([Exhibit W](#)), ([Exhibit X](#)), ([Exhibit Y](#)), ([Exhibit Z](#)), ([Exhibit AA](#)), ([Exhibit BB](#)), ([Exhibit CC](#)), and ([Exhibit DD](#))] were presented but not discussed and are included as exhibits for the meeting.]

I will now close the hearing on A.B. 68. Assemblyman Grady put it best. These are local government issues and the state is a facilitator. They do not always play nice and we have to take on that responsibility.

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Next Tuesday we will be starting at 1 p.m. in this room for a joint meeting on sunset taxes. Thank you members of the Committee. The meeting is adjourned [at 3:28 p.m.].

RESPECTFULLY SUBMITTED:

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Gina Hall  
Committee Secretary

APPROVED BY:

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Assemblywoman Irene Bustamante Adams  
Chairwoman

DATE: \_\_\_\_\_

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Senator Ruben J. Kihuen  
Chairman

DATE: \_\_\_\_\_

## **EXHIBITS**

**Committee Name:** Committee on Taxation

**Date:** February 7, 2013

**Time of Meeting:** 1:05 p.m.

<b>Bill</b>	<b>Exhibit</b>	<b>Witness / Agency</b>	<b>Description</b>
	A		Agenda
	B		Attendance Roster
	C	Jeremy Aguero	Nevada's Consolidated Tax, A Review and Analysis of Alternatives
A.B. 68	D	City of North Las Vegas	Suggested Amendment to A.B. 68
A.B. 68	E	Shari Buck, Mayor, City of North Las Vegas	Written testimony
A.B. 68	F	Tim Hacker, City Manager, City of North Las Vegas	Written testimony
A.B. 68	G	City of Reno	Resolution
A.B. 68	H	Washoe County	Resolution
A.B. 68	I	City of Sparks	Resolution
A.B. 68	J	City of Las Vegas	Resolution
A.B. 68	K	City of Henderson	Resolution
A.B. 68	L	Lyon County	Resolution
A.B. 68	M	Douglas County	Resolution
A.B. 68	N	Storey County	Resolution
A.B. 68	O	National Association of Counties	Resolution
A.B. 68	P	Eureka County	Resolution
A.B. 68	Q	Nye County	Resolution
A.B. 68	R	Churchill County	Resolution
A.B. 68	S	Carole Vilaro	SCR 40 Interim Subcommittee graph
A.B. 68	T	City of North Las Vegas	CTX Distribution Analysis
A.B. 68	U	City of Fernley	Letter of response
A.B. 68	V	Incline Village	Resolution
A.B. 68	W	Mineral County	Resolution
A.B. 68	X	City of Yerington	Letter of response
A.B. 68	Y	Town of Gardnerville	Resolution

A.B. 68	Z	Humboldt County	Resolution
A.B. 68	AA	City of Elko	Resolution
A.B. 68	BB	Elko County	Resolution
A.B. 68	CC	Las Vegas-Clark County Library District	Resolution
A.B. 68	DD	Henderson District Public Libraries	Resolution