

**MINUTES OF THE
SENATE COMMITTEE ON GOVERNMENT AFFAIRS**

**Seventy-Seventh Session
June 3, 2013**

The Senate Committee on Government Affairs was called to order by Chair David R. Parks at 8:54 p.m. on Monday, June 3, 2013, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412E of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator David R. Parks, Chair
Senator Pat Spearman, Vice Chair
Senator Mark A. Manendo
Senator Pete Goicoechea
Senator Scott Hammond

STAFF MEMBERS PRESENT:

Patrick Guinan, Policy Analyst
Heidi Chlarson, Counsel
Suzanne Efford, Committee Secretary

OTHERS PRESENT:

Dan Musgrove, City of North Las Vegas

Chair Parks:

We will open the informational hearing on Assembly Bill (A.B.) 503. Pages 2 and 3 of the bill mock-up cover the details of the bill. There is not much beyond that other than just some references. I questioned the bill initially as to whether it could be applied to other cities in addition to North Las Vegas. I was informed that a provision was added that would limit it strictly to North Las Vegas.

ASSEMBLY BILL 503 (1st Reprint): Revises temporarily provisions governing the use by a local government of money in an enterprise fund. (BDR 31-1226)

Dan Musgrove (City of North Las Vegas):

The Assembly passed Assembly Bill 503 late this afternoon with a vote of 41 to 1. Therefore, we bring this bill to you under special circumstances with the City of North Las Vegas.

Assembly Bill No. 471 of the 76th Session came through this Committee and the Assembly Committee on Government Affairs. It dealt with enterprise funds and limited the ability of local governments to use enterprise funds. The City of North Las Vegas obtained special circumstances within the bill to begin weaning itself off use of the enterprise funds.

Senate Bill 79 of this Session added further restrictions; however, one item that was discussed was the importance of A.B. No. 471 of the 76th Session. The City of North Las Vegas is in unique circumstances because it is ready to ratify its City Council budget that puts it into a \$13 million deficit for fiscal year 2013-2014.

Senate Bill 79: Revises provisions governing the use of net profits derived from certain municipal utilities. (BDR 58-449)

The City is working with its union members and collective bargaining agreements. Hindsight is a wonderful thing, and we probably did some things in 2007 and 2008 that we would not have done had we known what was going to happen. I am speaking on behalf of the City's elected officials.

The City is in a circumstance now where it has to be prudent with its finances and work hard to ensure that it continues to provide services important to its constituents. The City needs the ability to draw additional money from an enterprise fund to assist primarily with public safety issues, park services and library services.

The Assembly worked hard with the City to ensure that A.B. 503 does not set a precedent, is focused and puts many checks and balances on the City of North Las Vegas.

The first thing that must happen is that there has to have been a fund balance of less than 9 percent in the preceding year. There are a couple of local governments to which that would apply. The City of North Las Vegas' ending fund balance this year is going to be 8.65 percent, which is a good thing

because when it gets into the lower ranges, the Department of Taxation starts to review the City.

Another important bill provision requires a city would have had to take a draw from an enterprise fund in the previous 5 years. Again, this bill is strictly on behalf of the City of North Las Vegas.

The bill also requires the City to work closely with the Committee on Local Government Finance. This is a statutorily created committee of local government finance experts whose job it is to work with the Department of Taxation to ensure local governments are succeeding in handling their finances successfully.

This Committee took over White Pine County a number of years ago to help it resolve its financial problems. The City of North Las Vegas has been meeting with the Committee and has been delivering financial information to the Committee on a quarterly basis. The Committee works with the City to ensure it is being prudent with its funds.

The bill requires the City go to the Committee with a plan on how much and why it is going to draw down its enterprise funds. The Committee gives the City the authority to do that.

The bill prioritizes the services the City wants to restore. Police and fire services are its No. 1 priority; these services are important to the City, the City's employees and, most important, its constituents.

This bill is about continuing as many of the City's services as it can to ensure the City of North Las Vegas is a quality and safe community and is able to grow and go forward.

The bill also requires a report be submitted to the Legislative Counsel Bureau Audit Division before the 78th Session so that a report can be made to that Session on whether this measure should be continued.

The entire bill will sunset in 2017. Perhaps the City will use it only for the first 2 years. The City will have to work on this. Everything you are experiencing on the State level, the City is also experiencing. No other community has been more devastated financially in reduced assessed valuation

or consolidated taxes. The City had the highest foreclosure rate and the highest unemployment rate in the State. However, the City is coming out of it, and this is one tool that the City of North Las Vegas needs.

Senator Spearman:

Regarding page 2, line 23 of the bill, you said you were working with labor and with unions. Do they support this bill?

Section 1, subsection 2, paragraph (c) states, "To settle any legal claims outstanding." Does this refer to the lawsuits? If it does, have the parties that initiated the lawsuits come to an agreement? That burden could further encumber and limit how much progress we can make according to the provisions you have outlined.

Mr. Musgrove:

One of the nice things about A.B. 503 is the work that has been done to come together because of the importance of this bill's success. The Assembly Speaker had a meeting a few nights ago with much positive dialogue, and it continues. We have worked hard, and all of us feel this is a step in the right direction. There has been great communication; however, I cannot say that everything has been resolved because this has happened in a short time. From a management perspective, we are pleased about the direction. We have been able to reach some intentions about which the collective bargaining units are happy.

Last year, the City had to declare a state of emergency and suspend the payment of raises and cost of living adjustments about which the bargaining units have taken us to court. However, they want resolution. They are working also in the best interests of their constituents.

The budget item is on the Council agenda because of the timing for completion of our budget items as required by State law. However, as an act of good faith, the City Manager will go before the City Council and ask that the item be held because negotiations are continuing. I have had reports from both labor and management that it is going well.

Senator Spearman:

I am concerned that everyone supports this bill because two zip codes in my district led the Nation in foreclosures. If we do something like this, then we have to make sure that everyone is involved.

Chair Parks:

Line 6, page 2 references a 9 percent ending fund balance. In accounting, it is considered that you are in reasonably good condition if you have between a 15- and 31-day reserve of funds between fiscal periods or on an ongoing basis. Therefore, 8.5 percent equals approximately 31 days. I do not have a concern with that. In addition, on page 3, section 1, subsection 7, there is language that restricts it to the City of North Las Vegas.

I have followed this bill from its introduction, and I am satisfied that we have done the best that we can.

Senator Goicoechea:

We have established that you have been borrowing for 5 years because that is part of the criteria. It is existing law under section 8 of the bill; however, it says that the funds must be repaid or be accounted for to the local government finance board. I assume the funds have not been repaid. What happens in that case?

Mr. Musgrove:

That is one of the things that we are answering to the Committee on Local Government Finance. The Committee wants an accountability regarding what we are doing. We have not been able to repay.

As part of this budget year, the City of North Las Vegas reduced the amount it was going to draw from the enterprise fund. It is still going to need more money during this next 2 years.

Senator Hammond:

I had some concerns about this. I now know about the sunset of the bill. The trigger in section 1, subsection 5 is when the expenditures of the local government are more than 5 percent for any category. Would you explain that trigger? What does it mean? It also says that "In addition to the requirements set forth in subsection 4, if, for any fiscal year, the difference between budget and actual" This appears to be a trigger.

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Mr. Musgrove:

It is a requirement as to when the City reports to the Committee on Local Government Finance.

Senator Spearman:

The informational hearing before the Senate Committee on Government Affairs on A.B. 503 is adjourned at 9:11 p.m.

RESPECTFULLY SUBMITTED:

Suzanne Efford,
Committee Secretary

APPROVED BY:

Senator David R. Parks, Chair

DATE: _____

<u>EXHIBITS</u>				
Bill	Exhibit		Witness / Agency	Description
	A	1		Agenda
	B	1		Attendance Roster