

Senate
JUDICIARY COMMITTEE

164

MINUTES OF HEARING HELD
MARCH 24, 1967

The hearing of the Judiciary Committee was held at 2:30 P.M., Friday, March 24, 1967, in the Senate Chambers, State Capitol, Chairman Monroe presiding.

Members Present: Warren L. Monroe, Chairman
 M. J. Christensen
 Carl F. Dodge Procter R. Hug
 Coe Swobe
 C. Clifton Young

Members absent: Vernon L. Bunker

Also present: Attorney Bob McDonald of Bible, McDonald, Carano & Wilson, Reno; Art Wood, Developer, Incline Village, Lake Tahoe; Attorney Wilson of Wilson, et al; Mr. Blyth, Nevada Municipal Association; Ernest Cuno, Home Builders' Association of Northern Nevada; Milton Manoukian, Douglas County Attorney; Judge Hanna, Beatty District Representative; Les Carlson, Public Service Commission; William Morris, Indian Springs Sewage and Water Company; Roy Robinet, Nevada North Shore Property Owners' Association; Jack Crown, Incline Village property owner; Nick Smith, Financial Counselor of Denver, Colorado; Washoe County Commissioners Sauer, McKissick and Kinnison Legislative Bill Drafter Russ McDonald; Joe Jackson, Reno Newspapers Inc. and other members of the press and interested observers.

Chairman Monroe stated that the purpose of the meeting was for a Hearing on S.B. 408 which "Reorganizes corporate local improvement and service districts."

Russ McDonald took over first discussion of this bill.

He said with respect to certain types of districts, over the years the Legislature has seen fit, starting as early as 1923, to enact statutes on general improvement districts, etc. which point up a need for providing services in an area lying outside the municipal corporation. This service would cover areas where the county could not provide it because of lack of adequate legislation. In the last two years, the Tax Commission has made an analysis of the problems. The Legislative Commission directed Mr. McDonald's office two years ago to study a bill which would do away with various enabling types of legislation and come up with consolidated

legislation, as every time a district is created the method is varied and there is actually no uniformity in the statutes today; also they lack elasticity. The 309 District was initially for the north end of Lake Tahoe where it took in the sewage problem. General obligation bonds were used to try to answer that problem. Chapter 310 has to do with water, garbage and sanitation Districts. This chapter has never been utilized. Discussion of Reno revenue, Supreme Court action in Reno in the past. Mr. McDonald said 311, relating to water and sanitation districts, is a workable statute. Nos. 1 and 2 in Clark County allow only issuance of bonds for construction of projects. Because of certain problems, at the last session, board of Commissioners in Clark County was made governing body of Sanitation Districts 1 & 2. In concept, if 408 doesn't pass, would be much broader base for all services to people in area. All types of districts. Could not do anything more in this session but recommend types of districts. We can use 318 now because of its broad scope of powers. It knocks out every district and makes it a 318 District. Division would be limited to providing certain services in the same area. It would offer elasticity on the type of service. He spoke of sewer lines in Gardnerville, special assessment provision of 318.

Mr. McDonald said the County Commissioners' criticism was that irrespective of the type of district created under the laws, they objected to unrestricted action - to be able to go along without some type of supervisiin by the County and its powers. There should be something of supervisory provision in a bill. There is in this. Because of the problem presented by 311 districts in Clark and because of criticism in 1963 and 1965 now a 311 district must obtain a certificate.

Senator Dodge asked if there were any provisions in this law as to auditing or publication. Mr. McDonald said every district, 309 to 318, becomes a 318 bonded under local government act. Discussion as to whether bonds sold would be obligations against ad valorem rate. Discussion of disclosure. Mr. McDonald discussed availability of public records. There have been complaints that the public could not find the office of the district. He said that Chapter 318 provides that the district maintain an office. He suggested as an amendment spelling out something along this line, providing that unless there is an established office, annually the district should file with the County Clerk an address and name of officer.

Discussion Page 2 - "qualified elector." Mr. McDonald read a letter written to him from the firm of Dawson, Nagel, Sherman and Howard. Mr. Cunningham was worried about out-of-state residents being allowed to vote the same as residents and felt that under 311 one need not be a resident of the district as long as he was a property owner. Suggested additional language to say "who must be a resident of the State but residence in the particular district in which the election is held is not required." Mr. Robinet felt this was not a problem, brought up tax-paying elector, etc., said it was still limited to residence with state.

Nick Smith spoke on unreasonable departure from the service plan, what control County Commissioners might have that could be put in to make it stronger. Discussion of developer paying the cost, now district pays the cost, county pays for inspection. Mr. McDonald on enforcement said inspection is the only answer. Paragraph 4, Page 7 - said it is patterned on Colorado law.

Senator Dodge asked whether in this respect, it would be possible to provide for filing of the plans or whether this would help. Ernest Cuno spoke, re Page 5, Line 34, recommended that County or large planning commission be kept advised of proposals. Might add also County Engineer, bring plan into area of examination and inspection.

Milton Manoukian, Esq., Douglas County spoke, saying theirs is the only district affected by Chapter 309, the only one created under that act. Act subject to major amendments in special session some years ago - concern in area of tax-paying elector. He wanted the record to reflect back that he made the suggestion to have 309 repealed. Mr. McDonald said they might consider leaving it alone and say "no other district effective date of this act be created under 309." Wouldn't do any damage to outlaw a 309 district. Would suggest that there be a limitation that no new district be created under 309 if this bill passes.

Senator Dodge suggested possibility of saying that "whenever any present obligations are retired, etc." Mr. McDonald asked Mr. Manoukian what their total debt is. Mr. Manoukian said they didn't anticipate incurring any. Senator Dodge discussed 389, compliance with 318, would be good if could all be under one act. He requested that the Committee give close attention to this. Judge Hanna, representing Beatty Water & Sanitation District, said he would preserve existing law (Chapter 311) not to interfere with the present application for Farm Home Administration Grant and loan from the Federal Government. He suggested that the law include provisions for borrowing money, for example, from the federal government, in addition to provisions for bonds.

Art Wood, Incline Village developer, offered suggestions. At the top of page 15, recreational facilities, he felt the word "public" should be left out. He said this was added to 318 after enactment in 1965. Section 318, 205...Mr. McDonald said Mr. Wood was proposing an amendment to a section not in the law. He wanted the following wording: "and the use or right of use of improvements for any basic power or purpose."

Further suggestions by Mr. Wood: Section 19, of 408, Page 11: Basically trying to take wards out of the improvement district. For election of directors and trustees would present tremendous problem. Mr. McDonald said he supposed members of the Committee were aware that this language is almost identical with the school language. Mr. Wood said he represents the largest district in the country. Mr. McDonald said he would have no objection to seeing it removed legally. Mr. Wood felt the word "personal" should be taken out of property tax. Not in the bill except that it does refer on Page 2. Mr. McDonald said at least one of their

suggestions is contained in SB 208, a bill now in, in respect to recreation. Senator Dodge said it has been suggested that the bill be re-referred to this Committee. Discussion of removal of word "personal" from "personal property" Because of the Attorney General opinion of several years ago, would it remove from the \$5.00 limitation talked about with respect to SB 208. Mr. McDonald said the constitution cannot be changed.

Attorney Wilson of San Mateo spoke on 309, said he helped Bob McDonald form a 309 District at Crystal Bay in his capacity as bond counselor. Since adoption of 318 he has formed or represented 10 districts. He said this opinion of the attorney general is not an opinion of a person. It is a statement of a well-established plan. He mentioned Incline Village, said it could be treated as a local improvement district that has the power to finance local improvements. He mentioned one amendment which would take out the word "person" and substitute the word "letter." Discussed assessment bonds in 318, discussed S.B. 133 as amended, Section 325 to provide that the bonds shall be sold in the manner provided by local government securities law. He thinks it is a bad process with reference to assessment bonds. Not only bad for revenue bonds in 318, it is bad for revenue bonds in any other type of government to which local government securities law applies. Proposal in amendment 1st will amend Section 325 to retain the "offer of sale" portion but to provide that revenue bonds can be sold with not less than 94% of par with interest rate of 6%. Section 465 suggesting that the district be dropped to 90% rather than 95. Other suggested amendments: Concerning 7 mile limit provision. This bill provides that an interested party constitutes another public entity. Believes 7 mile should be changed to 3 or 3 to 7. He felt it best to change 3 to 7. He thinks it should be amended to from "not less than" to "not more than" under item 9. Discussed injunction against district prior to the time of award of contract.

Senator Dodge said the County Commissioners don't want to take over and 309 doesn't want to be taken over by Washoe County. He said he felt it should be left to the discretion of the local board, not forced on County Commissioners. He said he thought 309 was a good law.

Nick Smith, Financial Counselor, spoke explaining purpose of bill: To preserve and protect the credit of Nevada Districts, protect all existing subdivisions from an inability to levy taxes. Mr. Robinet asked what protection could be put in to assure that the \$5.00 limit will not be preempted and what can be done about default. Debt limitation in this act. Discussion of "real value," page 26, section 37 for general obligation debt, also Section 46, page 29. What is "real value" and who will determine? Mr. Blyth, Nevada Municipal Association, discussed obligation debt in Sparks and said all the districts must be brought under this act.

Senator Dodge read a letter submitted by a representative of the Southern Pacific Company who could not be present. The letter, which he later gave to Mr. McDonald, concerned Section 7 of the Act on Page 4, and wanted adjacent lands included - suggested new language "may change or alter the boundaries of such district to include adjacent land," etc. Mr. McDonald said he thought the man was confused concerning the service plan, he thinks there is an administration law now. Discussion requiring 51% of the owners to initiate action.

Mr. Robinet asked how the County Commissioners feel about being required to "unanimously" approve a petition. Comments by Mr. McDonald - originally to take care of area at South Lake Tahoe. Certain people in Legislature were apprehensive about enactment without 7 mile provision. Mr. McKissick said interest was such that they are willing to assume these obligations, cut "unanimous."

Mr. Blyth said it was firemen's concern to make sure language ties in with AB 345 - still being studied by State, City and County Affairs. William Morris spoke of construction of sewer and water company at Searchlight and loan from Farm Home Administration.

Les Carlson of the Public Service Commission remarked on Sun Valley, 311 and Gardnerville. Mr. Robinet said he was very much concerned about this legislation and very interested in it, he had remarks to read and leave with Committee. He said S.B. 408 appears to be a good bill as far as it goes but feels it can and should be strengthened with regard to certain conflicts of interest situations. Concerning trustees rather closely connected with owners of area, sometimes purchase or sale to or for the company. He would like to see a conflict of interest situation at Crystal Bay corrected. An interested property owner (Frances) of Carson Improvement District spoke saying she concurred in the conflict of interest remarks, as she is a trustee and owner. Another property owner from Incline Village said the situation had been bothering him for some time and he felt there should be a stipulation that public meetings be publicized. He feels people don't know what is going on.

Hearing was adjourned at approximately 4:40 P.M.