

MINUTES

GOVERNMENT AFFAIRS COMMITTEE  
February 9, 1977  
8:00 a.m.

Members Present: Chairman Murphy  
Vice Chairman May  
Mr. Craddock  
Mr. Jeffrey  
Mr. Mann  
Mr. Moody  
Mr. Robinson  
Mrs. Westall  
Mr. Rhoads

Guests Present: Mr. W. W. White, Incline Village Improvement Dist.  
Jean Ford, Interim Sub-committee  
Carol Mast, Round Hill Improvement Dist.  
Tom Moore, Clark County  
Andy Grose, LCB  
Kermit McMillin, Incline Village Improvement Dist.  
Tom Eck, Round Hill Improvement Dist.  
Bob Warren, Nevada League of Cities  
Evelyn Mathis, Dept. of Taxation  
John Holmes, Sierra Estates Improvement Dist.  
Robert S. Laird, former Chirman of Horizon Hills Dist.  
Russ McDonald, Washoe County  
Richard F. Glave, Gardnerville Ranchos Improvement Dist.  
Ken Kjar, Douglas County

The meeting was called to order at 8:11 a.m. by Chairman Murphy. Mr. Murphy explained to the committee that the matters before them today were of a very specialized nature and referred to the Interim Committee's work on the general improvement districts and Bulletin 77-11. He stated that testimony from those who wished to cover the entire package would be taken first and then those who wished to speak in favor of separate bills and then from those who wished to speak against separate bills. He also stated that if anyone wished to make amendments to any of the bills, that they submit those amendments in written form to the secretary. He then introduced Jean Ford and Andy Grose as the first speakers.

Jean Ford began by mentioning that Mr. Craddock and Mr. Moody had served with her on the Interim Committee as well as Senator Sheerin and Assemblyman Benkovich. She stated that the reason for the Interim Committee was that the area of the improvement districts had not been covered in depth last session and it was their purpose to delve into this area in depth and report back to this committee. She then indicated that this area was of great interest to many people in the state and these special districts (318 districts in particular) could be looked at as invisible kinds of government within the state. Though many people aren't aware of these districts, they do have a tremendous impact upon other, general purpose, governments.

Assembly

Continuing Jean Ford's testimony.

She stated that the committee received a great amount of input from the public, people in the special districts, members of the staff, the legislature and the Department of Taxation. She pointed out that those people who attended the Interim Committee meetings are listed on pages 41, 42 and 43 of the bulletin. She also, pointed out the diversity in the districts which is shown on the chart on pages 12, 13 & 14 of the bulletin. She also called attention to the chart on page 15 of the bulletin which shows other districts in the state that do the same thing the 318 districts do. She noted that even after the 1967 change, enacting NRS 308, which was supposed to tighten control over these districts, that in some areas now there is little control over these districts. This lead to financial problems, districts taking care of services which should probably be taken care of by the counties involved and also, either duplication of services or side-by-side kinds of operations which obviously is not the most efficient way to deliver service. She also stated that it was the opinion of the entire committee that the law should not be permitted to be used, by primarily or, for the personal interest of any land developer.

Ms. Ford continued with an explanation of the bulletin, beginning with pages 10 and 11 pointing out some of the key areas. She then went to page 16. She pointed out that one main thing found by the committee was that the county had no supervisory or advisory power once the district was created. And, that the county could not step in even if they were aware that there were problems within the district. She said the committee had considered doing away with Chapter 318 all together. However, they did agree that the 318 districts did perform a useful function in areas which are not ready to incorporated but do need one or more specific services. On page 17 of the bulletin, the problems which arise and the solutions to those are begun and discussed.

General discussion on this and related material was brief.

AB 163 was the first bill discussed, specifically, by Ms. Ford. This, she noted, deals with NRS 308. The intent of this section is that wherever possible existing districts should be extended rather than new districts being formed, as each new district is an additional layer of government to be contended with and this would eliminate some of the problems facing the districts in the past. She also stressed the importance of lines 40 through 42 on page 2 concerning preparation of service plans by the county commissioner.

Mr. Grose supplemented this by saying that in the past land developers had had the county commissioners form these boards in order to get around filing these types of reports. And, this charge was made to try to prevent that type of situation. Ms. Ford also stressed the proposed changes on pages six and seven which deal with the formation and control of the new districts. This would enable the county, if necessary to take back the authority of an existing district if it were in trouble. She stated one of the major problems in the district was the present lack of structure for

Continuing Jean Ford's Testimony. elections. She stated that the changes in section 12, would bring the districts into accordance with election law 293 and would eliminate this problem in the districts. She also touched on the formation and addition of fire districts. She also discussed the changes in the debt structures within the districts. She then discussed other sections of this bill which deal with the items she had pointed out prior in her testimony. Continuing, on page 19, she noted section five is of interest regarding proportionate disbursement of monies upon dissolution. Also, page 20, line 23, provides for one body in the county, representing all the small entities, to combine all the reports from the districts to enable them to have an overview of the total physical health of the entities in that county because they all have an impact on the county physically. In conclusion, she drew attention to the repealer section 39 on page 23.

Mr. Murphy then reiterated the procedures which were to be followed during the balance of this meeting. He then announced there would be a meeting to continue discussion of these bills on Monday, February 14, at 8:00 a.m. He also stated that if any of those present wished to have their comments on record and could not be present on Monday to testify, that they could submit them, in writing, to the secretary. Mr. Murphy then announced a short recess, after which Mr. May would be chairing the meeting.

Mr. May, upon reconvening the meeting, asked Ms. Ford to continue her testimony. He interjected at this point that this was an extremely technical area and that if, during the testimony to follow, any of the committee members had questions as to the effect of the proposed changes, that they ask immediately for clarification of these points in question.

AB 165 was then discussed. Mrs. Ford explained that this bill dealt with the ability of the separate districts to handle the setting of utility rates. The procedures for notice, for justifying, for hearings be held before levying of rates, are the primary issues in this bill. She also referred to page 4, line 17 and page 5, line 37, relating to liens and to page 6, line 21, relating to extension of services in a district. She did not go into these areas in depth. She said she felt the balance of her time should be devoted to a general overview of these matters so that the other people present could express their views. And, that these areas could be covered, more thoroughly, at a later time.

Mr. May asked how many 318 districts would be effected by bill 165 in regard to their sewer and water rates.

Andy Grose answered that exact figures were not available, however, it would probably be 10 to 12 districts, including Clark County.

Continuing Jean Ford's testimony.

Bill 166 regarding compensation of the district trustees was discussed by Ms. Ford as the next item. She explained that this measure made compensation of the trustees an optional item to be considered within each district not to exceed \$1800 per year.

AB 167, she noted, has four separate sections. The first section would exempt the districts from having to pay filing fees, on the basis that they are a unit of government, and this privilege of exemption is extended to other units of government. The second point was that the districts should have a proportionate share of the gas tax if that district is for the purpose of maintaining roads. Discussion on this followed a question from Mr. Mann pertaining to the physical impact of this measure. Some discussion followed on this and it was decided that Andy Grose would look into this matter by discussing it with the physical analyst of the LCB and report back to the committee on his findings. Ms. Ford then proceeded on to section three. She stated that this section was put in to make sure that the districts, which were responsible for road maintenance, would be made aware of any new roads or subdivisions which would be proposed so that they would have the opportunity to comment or make recommendations concerning them. She did not comment on section four of this bill. This was the extent of her testimony to the committee on these bills.

Mr. May then introduced Mr. Russ McDonald, former county manager of Washoe County and former chief counsel and bill drafter for the Legislature.

Mr. McDonald stated that he felt legislative attention in this area was long overdue. He continued that he would be addressing himself, primarily, to the historical background and legislative intent surrounding these bills. He stated that not included in these bills was NRS 309 which deals with the creation of local improvement districts which have the same general purpose of providing sewer and water services. This type of district was established by NRS 309 prior to the 318 districts and by subsequent legislation, the 309 districts can no longer be formed in the state. Examples of those districts are the Washoe #1 district and the North Lake Tahoe district. After World War II, he pointed out, there was no vehicle to establish particular service districts and in about 1953, the 318 law was enacted to do this. After 318 had been established for these specific types of districts it was greatly misused (either due to indifference or lack of ability of the county commissioners to really overview the situation). In about 1965, the enactment of 308 which was the Special District Control Law, imposed a bond on those which wished to create a district by way of a service plan. However, if the county commissioners wished to form a district, they were exempt from the bond. And, as recently as two years ago, the Washoe County Board of Commissioners created two general improvement districts merely because the demands for services. He stated he felt 308 was fine, as far as it went, however he did support the provisions of AB 163 which imposes on the commissioners the obligation of the service plan.

Continuing Mr. McDonald's testimony.

Later, he stated, there was a regeneration. All of the chapters dealing with these special services were repealed and they finally emerged as shown on page 17 of AB 163, lines 8 through 28 (adding lines 29 and 30 in this bill). He reiterated Mr. May's views that these districts were special units of government with the powers to tax, levy ad valorem taxes, issue general obligation bonds under conditions, effect short term financing and issue themselves revenue bonds per a rate schedule. The Public Service Commission became involved in this matter due to allegations of misuse of funds by the boards of trustees. The PSC became involved in order to regulate the rates and to have overall guidance in respect to particularly sanitation and water districts. He stated this package of bill will propose to shift that responsibility.

He then commented further on the vast differences in these districts and that even though there has been consideration of elimination of the 318 districts, there may be some areas in the state where these districts serve a vital need.

Mr. McDonald and Mr. Mann then discussed recreational districts and their effect at length. Mr. McDonald also went into the tax implications in, and of, these districts.

Mr. Craddock then commented to Mr. McDonald that in his studying of history in preparation for this meeting, he was amazed by the high percentage of development in the western United States was through the use of special service districts. Mr. McDonald stated he felt this expansion was not only due to long term special assessment bonds and the revenue bonds, but also to general obligation bonds and other types of securities.

He then directed the attention of the committee to AB 163, page 23 where Ms. Ford had discussed the formation of fire districts under 318, by way of reorganization and her reference to 474. He stated that under 474 there were two methods of creating a fire district in the county. One, which is just a special district, a 318 in fact. The other is one is created and run by the county commissioners following the statute. He asked Ms. Ford if it was the intention of this bill to allow both of these alternatives to be considered as a 318 type fire district. She stated that this was the intent. Mr. McDonald and Ms. Ford offered a few additional comments on this. That concluded Mr. McDonald's testimony.

Mr. White of the Incline Village General Improvement District was next to speak. Mr. White stated that they were generally in favor of AB 163. However, there was a short discussion on the use of the term "commercial costs" in the bill and how this point might be clarified in the bill. The subject of merging districts, covered by this bill, was also discussed. Mr. White, at Mr. May's request, stated that his opinions and observations on these bills had been reduced to written form and copies of this statement were distributed to the committee members and is attached as Exhibit A.

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Continuing Mr. White's testimony.

Mr. White and Mr. Craddock discussed the implication of the proposed change of AB 165 regarding page 6, lines 21 through 35 and how those changes would effect interaction with the Federal government in some instances. Mr. White finally concluded that this section was too confining and it should be deleted.

Mr. McMillan then discussed page four of AB 165 with the committee regarding leins. After some discussion, Mr. McMillan said he would supply his written thought on this section to the committee on Monday, which will be entered as an exhibit at that time.

Mr. White also stated his views on AB 166 and AB 167 and indicated that he would be submitting those and other recommendations on Monday, which will be added as an exhibit at that time.

Mr. Tom Eck, Roundhill General Improvement District, testified on AB 165 as a proponent. He stated as historical background that one of the major land owners in Roundhill had refused to pay the assessments on his land, approximately 200 acres, due to the down-zoning of that property. Therefore, the district could not meet it's obligation to the bond holders, even by transferring the monies from their general fund to the bond holders. Due to this, a suit to foreclose on the property was initiated and carried on for several years. Finally, by settlement, the improvement district received all the developable residential property in consideration for liens on forest and certain commercial property. He stated this settlement was the result of the extreme vagueness of the forclosure procedures in 318 which are touched upon in AB 165. He then introduced Mrs. Carol Mast, General Manager of the Roundhill General Improvement District and he then proceded to discuss their views on the items before the committee and stated he would provide the committee with these on Monday, which will be added as an exhibit at that time.

Mr. May introduced Mr. Andy Grose of the LCB, stating that he was here in order to help clarify some of the points which might be brought out during testimony in this area.

Next to speak was John Holmes, Vice Chairman of Sierra Estates General Improvement District in Jack's Valley. Those with him were Keith Newman, Chairman and Lou Boller, member of the board of directors. He stated his main concern with any of the legislation was the effect it would have on their district because of the tremendous accounting costs involved in researching, gathering and reporting to the various agencies which had to be done by outside professionals. This cost is now running 10% of their entire budget which is 50-60% of their gross monthly revenue (not counting original hookup fees). He requested the committee keep in mind that any additional reports would make this even more critical to them.

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Continuing Mr. Holmes' testimony.

Mr. Holmes also pointed out the financial problems facing small districts, such as theirs, as to the ability to expand their districts. He stated that in AB 166 the 50% limitation would give them only \$100,000. to work with and this would not even cover the cost of the study which must be done before the drilling, purchasing of new equipment and extension of lines could be initiated. He also pointed out that due to the fact that the men who run their district are also the ones who comprise the labor force, so it is easy to show a good financial picture but, difficult to obtain grants to aid in financing the expansion. In conclusion he commented that he agrees with the suggestions made by Mr. White of Incline Village regarding expansion of districts and the ability of those districts to have the capacity to include new service.

Ken Kjar, Douglas County Commissioner, previously with Kingsberg Improvement District, spoke next stating that the county commissioners are extremely concerned with what can be done to consolidate the many separate districts in their area. He stated the commission was going to meet the next day and report their findings back to the committee at the Monday meeting. He commented there most pressing concern is the inability to step in and help or advise these districts if they get into trouble.

Mrs. Evelyn Mathis of the Department of Taxation was next to speak and read from two letters from John J. Sheehan of the Department of Taxation which are attached and marked Exhibit B and C respectively.

Robert Laird of Reno was next to speak as a proponent of all these measures. He was the past chairman of the board of directors of Horizon Hills. He commended the Interim Committee on their work and stated the proposals would help to eliminate the injustices and inequities of 318 which he has been involved with for about ten years (in study and application of 318). He stated he felt the only shortcoming of the bulletin was that it did not stress strongly enough the citizen's rights in these districts. He went to an explanation of the default on bonds of the Horizon Hills districts and its effects on the residents there. He stated he felt this was partially caused by the developers who come into a district and issue assessment bonds for their own profit and then do not fulfill their obligations to the districts. He felt these new laws would help to protect the citizens from this problem.

Mr May asked Mr. Laird to relate, briefly, his own personal experience as an owner in Horizon Hills.

Mr. Laird explained that he had had to pay his assessments on threat of loss of his property by a mechanic's lein through the county treasurer. His objection was that there was no complete sewer system and do not presently have rights to water although the bonds were sold expressly stating the roads, sewer system and water were included. He stated this is a borderline constitutional question as the owners have really no one which they can go to to rectify these problems.

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Continuing Mr. Laird's testimony.  
Discussion on this subject continued between Mr. Laird and the committee.

His next area of discussion was that of the "bonds pusher" who goes into an area and under the assessment bond system sells these bonds at a tremendous profit to themselves. There are many injustices and inequities under the laws relating to these types of sales. Mr. May asked Mr. Laird what the name of the company that did this was. Mr. Laird named Wilson, Jones Co., formerly Wilson, Harsfield, & Jones, a company which was not recognized by the Nevada State Bar Association or registered in the state of Nevada and in fact had been censured by the late Judge Water for their ethics. In closing, Mr. Laird pointed out the importance of establishing boundaries of the districts, that they be made stable rather than flexible. Mr. Craddock suggested that Mr. Laird should have the thanks of the committee for the amount of work he has done on this and his diligence in that work. The committee concurred.

Mr. Richard Glave, Gardnerville Ranchos Improvement District, was next to speak. He stated his district covered roads, water and sewer service and he was a proponent of these bills. He stated that their district is in good financial condition. He said it was his position that the addition of the fire districts was a good idea. He also felt the county should provide more services to the board of the district, as they now give very little help to the district. He stated that the district gets no tax money, to help with road maintenance, from the gasoline tax to improve their district yet the people (approximately 2,000) certainly do pay a proportionate share of this tax. He stated the district pays for both the original laying of the roadways and the maintenance of those roads afterward. Douglas County accepts their roads, but do not take care of them. (Mr. Grose pointed out that AB 167, page 2, line 1 is aimed at taking care of this inequity.) He also spoke in favor of AB 166 and reiterated the idea pointed out before that formation of a new district for the benefit of a developer should not be allowed.

Next to speak was Tom Moore of Clark County and his remarks are attached as Exhibit D.

Mr. May asked if there were any present who wished to testify in opposition to any of the measures and there were none wishing to. He then asked if there were any further remarks of those interested in what had been testified to and there were no questions.

At 11:04 Mr. May adjourned the meeting and again stated this meeting would be continued on Monday, February 14, at 8:00 a.m.

Respectfully submitted,

*Linda D. Chandler*  
Linda D. Chandler, Secretary

Assembly



**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT**

AREA CODE (702) 881-0717

POST OFFICE DRAWER P

INCLINE VILLAGE, NEVADA

89450

KERMIT McMILLIN  
GENERAL MANAGER

W. W. WHITE  
PLANNING DIRECTOR

BOARD OF TRUSTEES  
HOWARD S. SMITH  
CHAIRMAN  
A. H. JOHNSTON, JR.  
SECRETARY  
EDWARD S. JENSEN  
GREGORY F. ENGELHARD  
DOMINIC SPALLONE

Date: December 16, 1976  
Subject: Incline Village Legislation  
By: W. W. White

1. Effluent Use.

Nevada is a water difficient area. Water available for Tahoe has been over authorized three times. A first objective of the national water quality program is to treat water to protect streams, and to use this treated water to the best advantage. Incline does not intend disposal of the treated effluent as was the practice to 1971, but to use some treated effluent for irrigation, as on the Golf Courses.

2. Legislative Commission Interim Subcommittee Report on Creating, Financing and Governing Improvement Districts.

BDR (25-71) AB 167

This proposed legislation exempts District from paying filing fees. This exemption has been requested by District and is satisfactory.

Of similar concern by District is NRS 278.580, a charge for sewer and water works construction permits. District has no objection to the Building Department receiving District plans for water and sewer works, but these plans cost District thousands of dollars, are approved by TRPA, the State of Nevada and EPA, are subject to District hearings and yet District must pay for a review by a local agency without expertise or ability to make such review, and to these, be charged for such permit by the Building Department.

We believe Legislative intent was to exempt the governing body from fees for all works, not limit exemptions to a building permit.

Exemption is requested by amending NRS 278.580 - 2 by adding "building permits and permits required by codes relating thereto.

(BDR 25-72) **AB165**

Removal from PSC jurisdiction Sec. 2, page 54, substitute provisions of Sec. 1, page 52, 53, 54 and 55, the lien provision of Sec 4-2 on page 56, 57 and additions on page 59, and pages 60, 61, 62 and 63 are satisfactory.

All of page 64, Subsection 5 and 6 are totally unacceptable.

NRS 318 provisions for water and sewer works are usually by special assessment, no profit is intended. The assessments against individual properties are based on benefits to those properties. No improvement District could live with conditions of Subsection 5 or 6, existing property owners would be financing extensions under Subsection 5.

Subsection 5 appears to be a substitution for 318.258 - 5 and 318.258 - 6: These provisions were a result of long hearings before the Legislature, and have worked. Leave these two sections alone, 318.258 - 5 and 318.258 - 6, deleting only references to PSC.

District practice which has worked is covered by Tariff, Rule 9, is attached.

District recognizes intent of the new 318.758 - 8 on page 65, but question this mandatory inclusion by order of County Commissioners. This addition is aimed at the Tahoe Districts of Washoe and Douglas Counties. Delete (in its discretion) and add - provided the district petitioned has capacity to serve the petitioner and all costs of extending service are assessed to petitioner, and that petitioner's property meets same service requirements as are required by the district to which it is ordered annexed.

Subsection 318.258 - 9 should require proposed conditions of 318.258 - 8 as precondition of the proposed ordinance.

NRS 318.425, page 65 and 66, subsection 7 are satisfactory.

(BDR 25-73) AB 166

NRS 318.085 - as to salary satisfactory.

(BDR 25-74) AB 163

Appears to be a generally desirable addition  
to Local Government Special District Law.

318.020 - is added to by new subsections 10  
and 11, is satisfactory for a new district but makes  
possible taking over an existing 318 district. The  
power is here to correct abuses in existing districts,  
but a district operating as Incline shouldn't be  
exposed to this potential county takeover.

RULE NO. 9

MAIN EXTENSIONS

A. EXTENSIONS

Utility shall make extensions along street, alleys, lanes, roads, common areas, and easements cut by established grades, and/or make alterations in its existing facilities in accordance with these rules and regulations, provided such extensions are located within the Utility service area and the Incline Village General Improvement District.

Extensions of main lines and appurtenances to provide service to an Applicant will be made by special assessment against the properties affected, or at Applicants expense.

The cost of the extension and appurtenances will be based on the size of main lines consistent with the service requirement specified by the Utility.

The size, type, quality of materials, and their location will be specified by the Utility. Construction will be by the Utility or its selected agency.

Where the extension is in excess of that provided by special assessment, or is otherwise available for connection or extension, then the Applicant shall be required to advance all of or that portion of the estimated cost of such extension which the Utility is not prepared to advance.

No extension contract, or any rights thereunder, entered into this rule may be assigned without written notification to the Utility by the registered holder of the contract.

B. REFUND AGREEMENT

Extensions financed by the Applicant shall be prorated to the number of possible users along the extension, and when any connection is made for which an advance has been made by an Applicant, then that portion used by another shall be refunded to the Applicant making the advance.

Issued:

Issued by: George G. Sayre  
Chairman

FILED 061-11059  
APPROVED JAN 22 1970

EFFECTIVE FEB 8 1970

RULE NO. 9

MAIN EXTENSIONS (continued)

3. REFUND AGREEMENT (continued)

Refunds shall not be made to any Applicant exceeding the amount of the original advance. Upon termination of a ten (10) year period, any balance remaining of the advance shall become the property of the utility.

All main extensions will become the property of the Utility immediately upon completion of construction and be operated and maintained by Utility at its own expense.

Issued:

Issued by: George G. Dayre  
Chairman

COMMISSION  
FILED OCT 1 1969

APPROVED JAN 22 1970

EFFECTIVE FEB 1 1970

## Department of Taxation

CARSON CITY, NEVADA 89710

In-State Toll Free 800-992-0900



MIKE O'CALLAGHAN, Governor

JOHN J. SHEEHAN, Executive Director

February 8, 1977

The Honorable Patrick Murphy  
Assemblyman and Chairman  
Government Affairs Committee  
Room 214  
Legislative Building

Dear Chairman Murphy and Members of the  
Government Affairs Committee:

AB163 makes major changes in organization and operation of General Improvement Districts. The proposals are the result of the findings of the interim committee studying the Creation, Financing and Governance of General Improvement Districts whose findings are set forth in Bulletin No. 77-11.

Section 1 sets forth as one of the purposes of the Special District Control Law to encourage the extension of existing districts rather than the creation of new district. Section 2 extends the applicability of the Special District Control Law to districts formed by the Board of County Commissioners as well as those formed by petition. Previously, districts formed by the Board of County Commissioners did not require a service plan; accordingly such has been a device used to proliferate special districts. Section 3 specifically states that a district formed by the Board of County Commissioners must have a service plan attached. (On line 40 first word should be capitalized).

Section 6 specifically sets forth as one of the reasons for disapproval of the service plan by the County Commission, to be if it finds formation is for the purpose of paying the commercial costs of the developer. Previously, developers have used the General Improvement Law for commercial gain and as a result have left the new property owners with undue burdens by way of special assessments and general obligations. The purpose of tightening the Special District Control Law is to force the County Commission to view formation of a district not only from its point of convenience for the public but also for its continued viability.

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Section 10 allows for the County Commissioners who serve as trustees of a district to appoint or have elected a five member managing board in the local area to carry out its directives. Such a provision would allow for greater involvement of the local residents and give the Board of County Commissioners the input necessary to make binding decisions on the district. The procedure for initiating such a board is through a county ordinance and dissolution of same can be effected following public hearing.

Section 11 allows either residents of the district or the Department of Taxation to request a hearing before the County Commission regarding defects in the operation of the district. As a result of the hearing, the County Commission may either merge, consolidate or dissolve the district or by resolution retain the district as constituted ordering and assuring compliance with its service plan or law and regulation. Had this procedure been in statute previously it would have allowed the Department of Taxation to bring to the attention of the Board of County Commissioners four problems, two in Washoe County, one in Douglas County and one in Lyon County. The one in Douglas has been recently satisfied through volunteer action, the one in Lyon County was recently satisfied through requiring certain actions and withholding of monies. The two in Washoe County are as yet unresolved.

Section 12 assures any person residing within the district the right to vote and is supported through Section 15 which removes the provision that persons must be property owners whether residing in or residing outside of the district. No longer will nonresident property owners be allowed to vote.

Section 13 sets forth powers of a Board furnishing fire protection which coincides with Section 23 which extends the powers that a district may have to include the furnishing of fire protection facilities. This also ties to Section 38 which allows fire protection districts now formed under Chapter 474 of NRS to reorganize as a Chapter 318 district.

Section 16 specifically states that formation of a district can be initiated by one of two means, a resolution of the Board of County Commissioners or a petition, and makes specific reference to Chapter 308 NRS, the Special District Control Law requiring the district file a service plan. The tightening of the conditions by which a district may be formed is back up in Section 14 as well where it again specifically

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states the "provisions of this chapter are not intended to provide a method for financing the commercial costs of developers." NRS Chapter 308 is also being amended in a bill before this committee, to tighten the procedures and conditions by which a district may be created. Amendments are for the purpose of assuring that only viable districts be created, and that they be able to provide the necessary services to the residents of an area without creating taxpayer burdens.

Section 19 sets forth what the Board of County Commissioners must do prior to their appointment of the Board of Trustees of the district to assure that it will have sound fiscal and operating management. If such a provision were now in effect certain counties and the Department would not have the problem of securing initial budgets and setting up accounting and auditing procedures.

Section 24 ties directly to Sections 30 through 36. In essence what is accomplished is that in order for an improvement district to incur debt it must have the approval of the general obligation bond commission of the county in which the district is located. Section 30 gives the improvement district representation on that commission, Section 33 through 36 assures the applicability of the securities act to the improvement districts and the review of their debt by the bonding commission. If these provisions had been in effect prior to this time we would not be experiencing having several districts in a default position.

We feel that the amendments and provisions set forth in AB163 are for the betterment of operation for general improvement districts and do not create a burden on existing districts or prohibit the formation of districts which can prove need and stability.

If the Department's Local Government section can provide additional information, please advise.

Very truly yours,

John J. Sheehan  
Executive Director

By   
James C. Lien  
Deputy Executive Director

JCL/cb



## Department of Taxation

CARSON CITY, NEVADA 89710

In-State Toll Free 800-992-0900



MIKE O'CALLAGHAN, Governor

JOHN J. SHEEHAN, Executive Director

February 9, 1977

The Honorable Patrick Murphy  
Assemblyman and Chairman  
Governmental Affairs Committee  
Room 214  
Legislative Building

Dear Chairman Murphy and Members of  
Governmental Affairs Committee:

The following are comments regarding three bills before Committee as a result of findings of the Legislative Subcommittee reviewing the Creation, Financing and Governance of General Improvement Districts as set forth in Bulletin No. 77-11. Staff of the Local Government Section, Department of Taxation, assisted the Interim Committee wherever possible and urges approval of AB165, AB166 and AB167 for reasons set forth below.

AB165: Section 1 sets forth the procedures which the Board of Trustees must follow in order to set or change rates to be charged for water and sewer services. It assures residents of the affected area sufficient notice and adequate opportunity to submit arguments for or against the proposed rate changes. This section coincides with Section 9 on page 8 which removes general improvement districts from the jurisdiction of the Public Service Commission. Cities and counties are not subject to regulation by the Public Service Commission with the rationale that their governing boards which set the rates for utilities are elected and that adequate public input is allowed through the public hearing process. There is little basis for Public Service Commission to be involved in general improvement districts as the same rationale, i.e., the elected board applies. Thus with the safeguards of Section 1 the public is adequately protected. There is little reason for Public Service Commission regulation of a system that serves less than 40 residents when it does not have any jurisdiction over the Las Vegas Valley Water District, the Churchill County Telephone System or the Reno/Sparks Sewer System as examples.

Sections 4 and 5 address themselves to the problem of secret liens which are liens placed on property for failure to pay a special assessment, and for which the property owner never received notice. The proposed language in these sections rectifies the notice problem by requiring notice for the last known owner of record and recordation of the lien before it is effective. NRS 318.420 had provided for the recording of liens but had no requirement that the owner be notified.

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Section 6 of the bill proposes language which would require property owners annexed by request to share the cost of extending facilities should the cost exceed an amount equal to 200 percent of the annual revenue to be collected from the extended facilities. If the cost is under that amount, the district would absorb it. A procedure is then set forth to allow the property owner to receive a refund of the amounts paid prorated over a period of time not to exceed five years by reducing his monthly utility bill by one-fourth. The above procedure allows for rapid extension of facilities without pressure on the resources of the district and yet permits the property owner to recover costs of extension.

AB166: Section 1 removes the restriction that only the trustees of sewer, garbage, water or television districts may receive compensation and allow trustees of all Chapter 318 districts to be compensated up to \$1,800 per year. This provision will provide equity amongst the districts. However, it is the discretion of each board as to the amount that the trustees are to receive and that action is subject to review of the public through the normal election process.

Section 2 lowers the general obligation indebtedness limit from 100 to 50 percent of the total assessed valuation of the entity. Counties are limited to 10 percent, school districts to 15 percent and cities generally to 30 percent of their assessed valuation. If revenue bonds and special assessment bonds are added to the general indebtedness, the district would find itself in financial difficulty as those bonds are subject to being repaid through the tax rate should there be a default in the special revenues necessary for their retirement. Logan Creek Estates General Improvement District in Douglas County, with an assessed valuation of \$266,650 and less than a dozen resident home owners, could have an outstanding debt obligation of \$266,650 and require a tax rate of \$7.8227 to retire the indebtedness over a 25 year period; with the 100 percent bond limitation as currently in statute, the \$7.8227 tax rate holds for every general improvement district organized under Chapter 318 of NRS. Even at a 50 percent bond limitation it would entail approximately \$3.50 just for one entity's bond retirement.

AB167: Section 1 places general improvement districts in the same exempt status as a county, city or town insofar as court fees charged by the County Clerk. Section 4 goes on to extend services of all elected officers of the county to general improvement districts, but does allow recovery of costs for providing such services.

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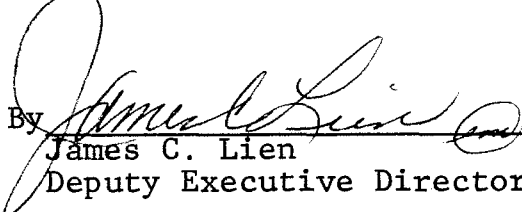
Section 2 requires the county to maintain and repair streets and easements when such has been dedicated to it or to reimburse the general improvement district should it provide such maintenance or repair of the dedicated streets or easements. When the district provides the service, the county is to reimburse same through the gas tax in accordance with the formula of ratio of district mileage to total county mileage. Douglas County is an example of a County having received dedicated streets but requiring the local district to maintain them.

Section 3 requires the review of a subdivision plat map by the general improvement district should any of that subdivision be located therein in order that it may provide input to the planning commission or county commission. Currently such subdividers maps need not be reviewed by the general improvement district which has resulted in some instances a conflict as to approval of standards subordinate to those of the district. Logically any governmental entity whose area of jurisdiction is affected should be involved in the planning approval process.

Should the committee desire examples or further testimony regarding AB165, AB166 and AB167, the Department's Local Government Section would be available to development same.

Very truly yours,

John J. Sheehan  
Executive Director

By   
James C. Lien  
Deputy Executive Director

JCL/jbd

Proposed AMENDMENTS  
Clark County

AB 165

Section 1

sub 3.

P1 L 13 - 16

- 13 The Secretary of the District shall give at least 30 days notice of
- 14 the proposed change by either mailing written notice to all users of the service ~~and~~
- 15 or product [.] or by publication of notice to such users in a newspaper of general circulation.

AB 167

Sec 2

sub 1 (a)

P1 L 17

Maintain and Repair such streets or easements <sup>[;or]but</sup> excepting ~~as to~~ repairs necessitated by the activities of the district.

T. Theore E

GOVERNMENT AFFAIRS COMMITTEE

DATE: 2/9/77

	PRESENT	EXCUSED	ABSENT
CHAIRMAN MURPHY	✓		
VICE CHAIRMAN MAY	✓		
ASSEMBLYMAN CRADDOCK	✓		
ASSEMBLYMAN JEFFREY	✓		
ASSEMBLYMAN MANN	✓		
ASSEMBLYMAN MOODY	✓		
ASSEMBLYMAN ROBINSON	✓		
ASSEMBLYMAN WESTALL	✓		
ASSEMBLYMAN RHOADS	✓		
			72

GOVERNMENT AFFAIRS COMMITTEE

GUEST REGISTER

DATE: 2/9/77

NAME, ADDRESS & PHONE NO.	REPRESENTING	TESTIFYING ON BILL NO.
A. N. White	JUG 260	163, 165, 166, 167
Gene Ford	ack 32 Interim sub-committee	163-5-6-7
Raymond M SMITH	DOUGLAS COUNTY	163-165-166-167
Carol Mast	Round Hill & S. D.	NONE
Tom Moore	Clark Co	165 167
Andy Grose	LCB	163-166
Kenneth McMillin	N. B. S. & C.	163, 165, 166, 167
TOM ECK	RHGID	165, 166, 167
Bob WARREN	NEU LEAGUE of Cities	- NONE -
Quelby Mathis	Dept of Information	163-165-166-167
Stephen Schaefer	Student, USC	- NONE -
John W Holmes	SERRA ESTATES, CID	163 165 166 167

GOVERNMENT AFFAIRS COMMITTEE

GUEST REGISTER

DATE: 2/9/77

NAME, ADDRESS & PHONE NO.	REPRESENTING	TESTIFYING ON BILL NO.
ROBERT S. WAIRD 3845 WIXOM . RENO	SELF	163 166 165 167
DAVID L HOWARD	MATT BERNARD DOUGLAS CO. CLERK	163/167
Russ McDonald	wade County	163 165 167
Richard F. Glaze	Hardscrabble Ranchos Inc.	163/165/167
Ken Kjar	Doug Co Comm.	