

Co-Chairman Ashworth and May called the meeting to order at 1:45 p.m. in the Assembly Lounge with the following members and guests present:

MEMBERS PRESENT: Senator K. Ashworth
Senator D. Ashworth
Senator Getto
Senator Glaser
Senator Kosinski
Senator Raggio
Assemblyman May
Assemblyman Coulter
Assemblyman Bergevin
Assemblyman Brady
Assemblyman Cafferata
Assemblyman Craddock
Assemblyman Marvel
Assemblyman Price
Assemblyman Rusk
Assemblyman Stewart
Assemblyman Westall

MEMBERS ABSENT: Senator Lamb

STAFF PRESENT: Dan Miles, Fiscal Analyst
Ed Schorr, Fiscal Analyst

GUESTS PRESENT: SEE ATTACHED GUEST LISTS

Chairman Paul May introduced all members of the committees to those present and explained we would hear testimony on the three bills under consideration for the Legislative Tax Package. He explained that the proposed tax package involves a basic shift from local government dependence on property taxes to a greater dependence on sales taxes. The proposal includes increases in the City/County Relief Tax, the Local School Support Tax and decreases in the amount of property taxes that can be levied as well as changes in assessment practices. The package is contained in three separate legislative bills. Those bills are:

A.B. 369 which increases the combined Sales Tax from 3 1/2% to 5 1/4% and provides a formula for distribution of the additional City/County Relief Tax and partially shifts the funding of schools from state to local resources. We are presently working on the first reprint and copies are available.

S.B. 69 which establishes a new method of valuation of improvements to land and requires that the values of all property be kept current through a system of annual factoring between appraisals for taxes collected after July 1, 1982 and provides an interim method of adjustment to values of real property from July 1, 1981 through June 30, 1982. We are now working on the second reprint and copies of that are available.

S.B. 411 which limits the amount of new Sales Tax and ad valorem taxes local government can levy and collect and further limits increases in license fees in addition to repealing the existing

local government expenditure caps. Amendments are being prepared and copies of the first reprint should be available within the next few days.

Chairman May explained that the committee has scheduled separate hearings for testimony from the large counties, the rural counties, school districts and assessors around the state. He asked that the testimony today be from the general public as the political subdivisions and local entities will be heard at the appointed time.

Speaking first was Mr. Don Wrinkle, a resident of Marlo Bay, Douglas County. He stated that in addition to owning a residence in Nevada, he owns two business operations as a small business person. Consequently his remarks were to be addressed to both residential and commercial proposals by the Legislature. He stated he was speaking in support of their efforts to reduce property tax and in opposition to the proposed increase in sales tax. He stated he was speaking also on behalf of many individuals who share his feelings, and who have asked him to speak for them because of his expertise in business, finance and taxation. Almost daily he receives phone calls, letters and personal visits from people throughout the entire state of Nevada who are quietly and patiently observing our proposals to reduce property taxes in our state. The members of this committee are very knowledgeable about the seriousness of the taxation problems. The sentiment of the citizens who pay the bills strongly support fiscal restraint. Remarks regarding non-interest of the citizenry in taxation and other hearings is not true. Retired people cannot afford to attend every hearing by the government due to their economic, health or other reasons. The vast majority of business people in Nevada must tend the store or go broke. In addition, the wage earner must work at the time hearings are being conducted. Last but not least, he as well as others who have traveled here today to indicate their silent but strong position to urge reduction in taxation, have paid their own way and have lost wages, business income, etc. He wanted the committee members to know there is a serious tax revolt in Nevada and we had better make some definite changes to help the citizenry.

They support every effort by this committee to reduce the taxes now being paid and warned that small business people and residents alike are making plans to move if something isn't done.

They urge fair and equitable taxation for all; factoring of property as proposed should be up to a future base year for the entire state and not factored downward which would create many inequities for many people. Along with such factoring, many people would like to eliminate all property taxes. The real thinking of the citizenry is that maybe the assessed valuation should be reduced to 10% instead of the proposals in the bills. In addition, maximum tax rate and reduced revenue caps are a vital necessity to restrain governmental officials from over-budgeting and over-spending. This was appropriately described in the research on the history and summary presentation of revenue expenditure and debt data for Nevada local governments from fiscal year 1976 through 1981. Private citizens appreciated the efforts to gain factual information.

(Committee Minutes)

They urged that the State Legislature initiate a two-year study on new methods for determining assessed value of property for taxation purposes. He explained that many people come over from California into Nevada to make purchases because of our local sales tax -- that will all stop which will hurt the small businessman.

In response to a question by Senator Glaser as to whether they received any benefit from the Legislator's efforts two years ago to provide tax relief, Mr. Wrinkle stated they had not. Their taxes in the new assessments in the Lake Tahoe effort, within a three-year period of time, have gone up over 100% after it was assessed. There has got to be something wrong with that system and is one reason why Mr. J.R. Baker in Marlo Bay has proposed a study by this committee to review very carefully the assessment practices in this state which they feel are obsolete.

In response to a question by Senator Keith Ashworth, Mr. Wrinkle stated that, although he has made a sincere effort to obtain copies of the three bills under consideration, he has been unable to find any. Senator Ashworth volunteered to see that he receives copies and suggested that in S.B. 411, he will find that the committee is considering very diligently the assessment practices. He asked Mr. Wrinkle to review this measure and keep in touch in order that we can have the benefit of his expertise in this field.

Mr. Wrinkle agreed to that and advised the committee that he has been in touch with Mr. Bergevin and Senator Jacobsen who represent his area and they have both been very helpful to him. He added that people are tired of seeing government agencies wasting money, tired of paying exorbitant taxes and are planning on leaving the state. In response to a question from Senator Keith Ashworth, he replied that a lot of them are going into mobile home living, moving into the southwest areas and some have advised they will be moving into the Arkansas area where taxes are much lower. He stated that they don't want to move but they simply cannot afford to live in Nevada at this rate.

He reminded the committee members that some areas in the Lake Tahoe basin have gone to assessment district financing in order to help them obtain some improvements that have been necessary; this has enabled them to reduce their taxes by two-thirds. In response to that statement, Mr. Bergevin said he agreed with that figure but asked how much their tax base had gone up over last year. Mr. Wrinkle explained that the assessment valuation in Marlo Bay went up a little over double but the tax rate was reduced to .17¢ (that is the proposal). In response to an additional question by Mr. Bergevin as to what it had been last year, he replied that it was over .80¢ although he could not recall the exact amount. Mr. Bergevin stated he believes they have gone up more than double in Marlo Bay and he asked to see the total number of dollars that they yielded this year and that of last year; he stated Mr. Wrinkle left the impression with this committee that they had reduced their taxes by two-thirds and he feels that is incorrect. Mr. Wrinkle agreed that was not correct and volunteered to make those figures available to him.

General discussion followed on various aspects of the bills and, at the conclusion, Chairman May expressed the thanks of the committee to Mr. Wrinkle.

Speaking next was Mrs. Robert Baker, also a resident of Marlo Bay, who read into the record the testimony attached as EXHIBIT I entitled, "Recommended Method for Determining Assessed Values of Property for Taxation Purposes." She advised the committee that she and her husband built their house and in four years, it has gone up 450%. They feel that assessment practice is wrong and should be changed. One change they would recommend is the categorizing of property, i.e., residential and/or commercial use, assessing property for the way it is being used.

Senator Keith Ashworth agreed that would be a good way of assessing property but that has been suggested and was found to be unconstitutional and until the Nevada Constitution can be amended, it cannot be done. He explained that we cannot classify property in Nevada as to residential vs. commercial vs. condominium vs. occupied or unoccupied, and that is one of the amendments that we are trying to process through the Legislature now, authority to do that. A couple of years from now, if the bill can get through both houses of the Legislature, the people will have an opportunity to vote on that question. We all recognize that the problem here is to get taxes on residential property lowered. The constitution says that all property must be assessed equally.

Chairman May pointed out for the audience that during their deliberations on this Tax Package, they studied the taxes in other states not found in Nevada and found that 45 other states have a personal income tax; Nevada does not. Thirty-nine other states have a corporate income tax; Nevada does not. Forty-nine other states have the inheritance gift estate tax; Nevada does not. Thirty-six states have a franchise tax, not Nevada; intangible, 14 others, not Nevada, etc. His point is that we have a very narrow tax base in this state to work from and do not have the luxury of juggling a lot of taxes around and raising taxes to find money to give back to the residents. We have essentially sales, ad valorem and gaming taxes. Those are our three big revenue producers in the state and those that we must seek to make the adjustment with.

Mrs. Jacqueline Flanders of Marlo Bay spoke next and submitted EXHIBIT II, attached, which consists of several pieces of correspondence between Mr. J. R. Baker of Marlo Bay and the report referenced above as EXHIBIT I.

She admitted that she had not read the bills under consideration but does plan to. Additionally, she has discussed the proposal of categorizing properties with Senator Keith Ashworth and was advised that it was unconstitutional. She stated she feels many people in her area have been abused by the appraiser and gave some examples. She feels the base rate in taxation should be based on current sales and gave some examples on how that would work. In referring back to a question from Mr. Bergevin to Mr. Wrinkle, she elaborated by explaining that the assessed values

for Marlo Bay were \$1,700,000 in 1977-78; this year they are \$7,300,000. The budget that was just completed was \$1,000 more than last year.

Mr. Leonard Kimble, Elk Point, spoke next stating the reason he is here today is because of the high-handed appraisals that were made by the reappraisal last year. He stated they were appraised in 1977 and, as he understands the law, are to be reappraised every five years. If that is true, he cannot understand what the appraisers were doing up there. Secondly, he protested the assessments that were made in Elk Point and gave some figures on appraisals in his area. He concluded by stating that he moved to Nevada many years ago because of our low tax structure and warned that if this problem is not resolved, we would lose a great many residents.

Testifying next was Mr. Ernest Newton, Nevada Taxpayers Association, who stated he would confine his remarks to AB 369 which is a bill that is concerned primarily with the replacement of property tax revenues by sales tax revenues. He commended the committees on the fine job they have done with this piece of legislation. He called attention to several areas of this bill and prefaced his remarks by what he believes to be the fact that the decision on the sales tax rate is essentially a political decision rather than an economic decision. Whether the sales tax rate, which admittedly is a direct offset to the property tax revenues, should be 5%, 5 1/2%, or even 6% is essentially a political decision. It is up to the Legislature to determine to what level a tax shift shall be effected in this legislation because it is all a tax shift. He went over some of the proposed percentages that would be necessary to maintain the required revenue flow as well as touching on the Local School Support Tax, the City/County Relief Tax, etc. General discussion followed on various areas of the bill, most of which will be discussed further by the joint committees in discussion with the various political subdivisions and local entities.

Chairman May then asked Mr. Ed Schorr, Fiscal Analyst with the Legislative Counsel Bureau, to go over the analysis he has prepared on AB 369, attached as EXHIBIT III. During discussion, the following priority items were brought out:

1. Sales tax remittance (pp. 1-7) shows that the "quarterly" is bracketed out; these sections require a monthly reporting and payment of sales tax, formerly done on a quarterly basis.
2. LSST increased to 1.5¢ (p. 4, lines 13 & 20). This is where the LSST tax is raised from one penny to 1.5¢.
3. CCRT made mandatory (p. 7, lines 7-11). This section makes the City/County Relief Tax, which is currently an option, mandatory. There is, additionally, a section further along that would make that effective May 1st. In response to a question from Senator Glaser on how many counties have not invoked that, Mr. Schorr responded that there were two, Esmeralda and Eureka.

Date: 3/31/81

Page: 6

5. Distribution of 1/2¢ CCRT (unchanged), p. 8, line 10 through p. 9, line 16. This is removed and then reenacted in the same form. The reference to the population no longer mentions "the most recent census" and that is because Frank Daykin is no longer including that in individual sections as there is a general section in the statutes that covers this.

6. Distribution of 1 3/4¢ CCRT established, p.9, lines 17-33. This is the section that establishes the distribution for the increase; the City/County Relief Tax is increased from a current 1/2¢ rate and is increased by 1 1/4¢ to 1 3/4¢. This provides for the distribution of the 1 1/4¢ increase. Senator Glaser asked if this distribution goes out to all towns and cities within the counties regardless of the numbers of towns or cities within it. Mr. Schorr stated that the current law has a formula; the other 1 1/4¢ is distributed according to the formula that is based on the ad valorem rate. Some discussion followed on the proposed formula being drafted now.

Mr. Bergevin called attention to an error on page 9, line 37 where the date should be 1982 rather than 1981 as shown in the bill. He explained that we have to replace the taxable value on the current year's budget. Mr. Newton agreed with that and added that there should be something in the bill to indicate that that will go forward from year to year after that. This change will be made.

8. Landlord to renter pass through, p. 10, lines 19-24. This updates the requirement for the landlord to pass through a tax savings to his tenant and it brings it current. That is, any savings that is attributed through this bill must be passed on to the tenant.

9. School fund property tax replacement repeal, p. 11, lines 6-10. The current requirement that .30¢ of the property tax be replaced in the school fund formula is being deleted. This also is a recommendation of the Governor and the deletion is included in the calculation of the school fund budget. Senator Kosinski asked what is being replaced by the 1/2¢ increase in the local school support tax and was advised that that was an offset for distributive fund need or it's for an increase in funding available to the schools. The Governor's budget includes a .3¢ increase to schools. Mr. Bergevin interjected that this is spelled out in lines 6 through 10 showing that we are taking out of the school fund about \$25 million by canceling the .30¢ tax but the .3¢ sales tax was added in there to replace the funds they are taking out. They are trading dollars and the end result will be that the Distributive School Fund will still be \$50 million in the hole. Senator Kosinski asked if we are increasing the amount of money available in the General Fund for other programs and was advised by Mr. Bergevin that we are. He went on to explain some of the other funds proposed and the fact that they are proposing to give the schools a 50¢ cap for the present year.

Mr. Schorr called their attention to #10, 50¢ levy by schools required, p. 12, lines 30-40. This explains the questions asked

Date: 3/31/81

Page: 7

by Senator Kosinski earlier. In this provision, schools may levy a maximum of .50¢ times the assessed valuation and this .50¢ is capped in the amount that may be derived from it. This section would make the .50¢ a mandatory levy for schools at the .50¢ per 100 rate.

11. School cap removed, p. 12, line 45. The two citations there that are being repealed, the first NRS 387.199 is the present school cap on the .50¢, the second section is a building reserve section. Currently the school can levy a tax which goes in a building reserve fund; this must fall within the .50¢ limit so if you make a .50¢ mandatory there is no reason to retain this building reserve fund.

13. CCRT increase effective 5/1/81, p. 12, lines 46-49. The effect of that is to make the increase in the City/County Relief Tax effective May 1, 1981 for all counties which is transitional language.

14. Sales tax delinquency rate increased, p. 13, lines 7-32. This changes the penalty for delinquency on the sales tax, local school support tax and City/County Relief Tax to 1 1/2% which is consistent with a bill passed earlier in the session.

There were no questions for Mr. Schorr and a short recess was taken.

Speaking next was Mr. Pat Pine, Clark County, who explained that they would like to make some brief comments as he understands they will be heard next Monday for their full testimony. He called attention to page 9 on which they discussed the fact that the distribution formula proposed in AB 369 would use the rates levied in FY 1980-81. The problem he has with that is a policy problem and he gave an example of how that would work in reverse which would reward those entities which have increased their tax rates and punish those entities that have reduced their tax rates. After discussion with Mr. Pine on that issue, it was determined that this point will be given further consideration at the public hearing next week.

The City of North Las Vegas was represented by Mr. Phillip Carr who distributed copies of EXHIBIT IV, titled Basis for Distribution of CCRT, Cigarette and Liquor Taxes and the Impact on City of North Las Vegas of Population Shifts on the Distribution of CCRT, Cigarette & Liquor Taxes. He stated his city does have a problem with this bill in that it proposes to amend NRS 377.050. As you will recall, the histories and summaries presentations of revenues, expenditures and debts for Nevada local governments from the FY 1976-77 through 1980-81 touched on the problem of the impact of population shifts of the distribution of certain taxes. The handouts illustrate the magnitude of this problem as far as North Las Vegas is concerned. He went over the handout with the committee and volunteered to answer any questions they might have. It was concluded that these figures would be given further review and will be considered during the public hearing on Monday when the large counties are heard.

Mr. Ted Herman, President of the Nevada Taxpayers Association and Chairman of the Mountain State Legal Foundation, and Past President of the Nevada State Chamber of Commerce, spoke next. He stated over the past two years while with the Chamber and the Taxpayers Association, he has had the opportunity to tour the state of Nevada and get a sense of what people are concerned about. He described to the committee members what he has heard all over the state -- people are tired of the high property taxes and want some relief. He enlarged upon the activities of the California governments and the fact that they are looking at what is happening in Nevada and are beginning to "gear up" to recruit Nevadans to their state and offering many proposed advantages in taxes, particularly in the warehousing markets. Nevada had better do something -- he urged favorable consideration for this measure, as well as some of the other tax relief measures that are being considered.

Mrs. Carole Vilardo, representing the Citizens for Private Enterprise-South, testified that the one concern her group has is the proposed sales tax increase and the effect it could have on business. Not per se on nondurable goods but on durable goods; that is, the higher priced goods, because that is where it could make a difference on a person purchasing the item or going to a lesser value item. Their challenge has been on items such as an R-V vehicle, a car, etc.; she is not talking about a \$10 shirt. We have talked about a \$1 for \$1 replacement but the people that make up her group have a major concern in that you can't talk about a dollar for dollar replacement when you are equating sales tax and property tax. The property tax is there and the local government can run on it because they know the parcel is there and they know how many are on the tax rolls and they can predetermine what the value is that they would be receiving. Sales tax comes after the fact. If there is a downturn on sales, the local government will suffer as well. She supports the reform measures that are in SB 411 because they feel there must be a curbing of government spending; they are concerned that the government has to provide a certain amount of services if the sales tax replacement does not do it, there are taxes that are going to have to be levied in other areas and they will come down, initially, on the business community. They ask that they consider those facts now before taking any action and, additionally, if we have an upturn on the economy, could it be possible to consider placing a sunset provision on the sales tax that they could review two years from now. Their concern is that once it is enacted, it will continue whether it is still needed or not; she stated this is not a lack of faith but they have found that taxes are never taken back off but if it is mandated that they be reviewed, it might be a more positive step.

Mr. Joe Fisher with the Nevada State Education Association asked to be heard today as he will be out of town during next week's hearings. He stated he would be in Washington, D.C. meeting with our congressional representatives talking about the cuts that are being proposed from the educational budget and their effect on Nevada's schools.

477

He supports the legislative package that has been put together by the committee and urges that we continue in that vein with all expediency. He described the activities of his Association during the proposed Proposition 6 when they worked very hard to defeat it, but he is aware that we need some tax relief. He explained his comments would not be directly towards AB 369, but would relate to the total tax package. Some of the elements they feel need attention are the extent to which it's possible that property tax relief be limited to Nevada home owners. Home owners tax reduction, if at all possible, should have some type of consumer price mechanism so that the dollar value of tax deductions for home owners can keep up with inflation in the future. As he talked to citizens around the state during the Question 6 effort, one of the things that bothered home owners more than anything, and especially in the Reno area where the assessment increases were so intense over the five-year period, that some mechanism that puts that within some reasonable growth so that the tax reductions in the future are in some way related to the consumer price index. They also believe that the cost of the property tax relief be held to a minimum to assure revenues adequate for the responsibilities of local governments and school districts. They share the concerns expressed today about the shortfall in relation to the needs for schools for the next two years. They feel there should be some method for annually factoring the assessment valuations which benefits us in three ways: by increasing the tax base, a lower property tax rate is possible for all taxpayers, annual increments in assessed valuation will assure each year that each taxpayer pays his or her share of the tax burden. That's an important matter to deal with because it was of special concern of the citizens that it hasn't been happening in the past. By incremental, annual increases in assessed valuation, the taxpayer is not shocked by the tax jump that he faces under the current five-year reassessment cycle. He believes that the least expensive way to provide substantial property tax relief in the Nevada home owners is through a flat dollar amount exemption applied uniformly to all property in the state. Flat exemptions, or some variant of those exemptions, would focus most tax savings on home owners and least benefit out-of-state corporate owners and shareholders. They are aware that the Legislative Counsel has raised questions about the constitutionality of flat exemptions and that the Attorney General has been asked to offer an opinion in this area. He understands that is forthcoming on Tuesday of this week. Based upon, hopefully, some positive response in that area or some plan that this Joint Committee can still develop that there will be further effort to design a bill to give most tax dollar savings to Nevada home owners and not to non-resident stockholders.

Speaking specifically to the bill, he spoke to assuring that within the bill itself that there is sufficient taxation that will allow the revenue committees, when they make decisions in regard to schools, to cover those costs. The bills, both SB 411 and AB 369 provide for a 1 1/2 tax rate for the local school support tax and for a .50¢ property tax for operating the schools uncapped. But he also pointed out that, in light of inflation, the recommendations from the executive office to cut \$23 million from the General Fund appropriation for the biennium and the fact

that the Governor's recommendations for universities cut nearly \$40 million from the Regent's budget that what we need is flexibility within those, whether it is an increase in the capping or uncapped provision on the ad valorem tax somewhat higher than the .50¢ or whatever combination. The bottom line is that we need to restore some of those cuts at the university level because they detrimentally effect the program there. We need \$330 million to operate the public schools the first year and \$382 million the second year. That is a non-fat budget. He hopes for some reasonable improvement in the General Fund but they have to look to this committee for substantial relief through increased rates of the school tax support or the school property tax to meet that kind of financial need.

There followed some general questions and answers on various areas within the bill.

Chairman May then closed the hearing on AB 369 and opened the hearing on SB 69 and asked Mr. Ed Schorr to review the bill with the committee.

Mr. Schorr went through the bill page by page with questions, answers and general comments being made by the committee. Inasmuch as this bill is in the process of being amended and additional public hearings, the entire discussion is not included as part of these minutes.

There was no further testimony on either of the bills on the agenda for this meeting, and, there being no further business, the meeting was adjourned.

Chairman May reminded those present that public hearings will begin April 6, and will run through April 14th, 1981.

Respectfully submitted,

Nycki Kinsley
Nycki Kinsley,
Committee Secretary

AGENDA

JOINT SENATE AND ASSEMBLY
COMMITTEE MEETING

Committee on TAXATION, Room Assembly Lounge.
Day Tuesday, Date March 31, Time 1:30 p.m.

S. B. No. 69--Revises factors which may be used in determining full cash value of real property for taxation.

A. B. No. 369--Increases rate of local school support tax and city-county relief tax and provides for adjustment of certain property valuations.

ASSEMBLY COMMITTEE ON Regulation
GUEST LIST

Date: March 31, 1981

PLEASE PRINT!

505

PLEASE PRINT YOUR NAME	PLEASE PRINT WHO YOU REPRESENT	I WISH TO SPEAK		
		FOR	AGAINST	BILL NO
Joe Fisher	Nevada State Ed. Assn.	✓		
PHILIP CARD	CITY OF NORTH LAS VEGAS		✓	369
JOANNE McLaughlin	Clark County			09/369
MIKE ...				
DON ANN	CLARK CO		✓	
DON WRINKLE	SECF	✓	✓	
	S F F - ERK Point H.O. Assn.	✓	✓	
L. M. Woodruff	"			
Joseph Kibbee	ERK Point Home Owners Assn	✓	✓	
John C. Schlegel	ERK Point H.O. Assn			
John Phoebe	Clark County Hts. Home Owr.			
Frederick Purr	CLARK COUNTY		✓	369
SK W BISHOP	ERK POINT HOME OWNERS ASSN		✓	
...	...			
...	...			
Pat McCallach	ERK PT Home OWNER			

GUEST LIST

PLEASE PRINT!

Date: March 31, 1951

PLEASE PRINT YOUR NAME	PLEASE PRINT WHO YOU REPRESENT	I WISH TO SPEAK		
		FOR	AGAINST	BILL NO
LAWRENCE W Lamb	Sell	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Alice Lamb	Sell	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Thomas A. Lamb	Assistant Chief Clerk			
M. J. Lamb	Assistant Auditor			
Daryl J. Lamb	Assistant Treasurer			
John C. Kelley	" " Assistant			
G. W. Bright	WASHINGTON CO. S. D.			
Mert Donohoe	Assistant Clerk			
Ben Battle	" " " "			
Bill Lamb	" " " "			
Nick Dixon	" " " "			
LeBaron	Assistant Secretary H.			
Bill Creek & Sons	" " " "			
ROBERT HADFIELD	PROSECUTOR			
Frank D. Lamb	" " " "			
L. J. Lamb	" " " "			
Bill Lamb	" " " "			

Recommended Method for Determining Assessed Values

Of Property For Taxation Purposes

If consideration is given to the fact that in any given County there is only a certain fixed amount of land in the possession of private parties that can be taxed, a technique for determining how these private properties can be properly assessed in an equalized manner should be established. Taking Douglas County as an example, it is proposed that the following technique be used:

(1) The Assessor's Office can easily determine which properties are in private hands and from the Assessor's records establish the exact size of each one of these properties; (2) Each property can then be categorized according to zoning, such as farmlands, single family residence, multiple family residences, commercial purposes, such as office buildings, hotels, casinos, etc. Restrictions imposed by the TRPA and any other government police powers should also be considered; (3) Establish a factor for each of these categorical types of properties with a scale from one to ten. The highest factored properties on the scale of ten would be property with a skyscraper on a very small plot of land that would be income producing, such as offices, hotel, apartments, casino, etc. The lowest factored property on the scale of ten would be undeveloped land that has a moratorium placed on it preventing its development and right next to that, up the scale would be properties that are single family primary residence. In between the highest and lowest categories would be the spectrum of properties used for residential rental purposes, stores, restaurants, etc. In other words, the factoring relates to the utilization of land; (4) Having established the factored rating for each property and knowing the exact square footage of land, the Assessor can then determine mathematically the assessed value by multiplying the factor by the square footage of land. This factoring method takes into consideration only the utilization of the land and it need not relate to square footage or type of structure that is on the property since the use of the property itself would determine the factor used; (5) The tax rate to be applied to the assessed value can then be established so that the total gross taxes equal the approved budget.

There are many advantages to this system: First, it takes the determination of assessed values out of the judgemental subjective status (such as appraisal techniques) and puts it strictly on an objective basis. Second, it would eliminate the necessity of hiring an appraisal firm to periodically go around re-appraising property using comparable sales as one of its techniques. Third, it would be possible to utilize a computer program for calculating assessments, changing established factors up or down with the change of Federal published CPI (Cost Price Index) and keep all records. Fourth, it would eliminate the necessity for hearings at both the County and State levels of Boards of Equalization. Fifth, it would truly assure equality of taxation among all property owners throughout any given County. Sixth, it would take the assessed value completely away from the open market of buying and selling which is dependent on the vagaries of the economic situation of the country, community and individuals.

March 6, 1981

Marla Bay Property Owners

Dear Friends:

It is one thing to object to assessed values placed on properties and criticize the methods and techniques of determining assessed values, but it is equally important to do whatever possible to help change the system to one that would be equitable to all concerned. All property owners must admit that an equitable and reasonable property tax is necessary to maintain the requisite services provided by the Counties.

With this in mind I have submitted to our local legislators and the Governor of Nevada a recommended method for determining assessed values of property for taxation purposes per the enclosed. If property owners in Nevada agree that the method of assessments need to be changed and also believe the proposed method suggested here has merit, it is urged that they write the legislators and the Governor expressing their views. Now is the time to do this since Nevada Legislature is in session and changes in the law that affect property taxation are being discussed.

Sincerely,


J. R. Baker

JRB/bjs

Enclosure

Carl Baker II

**Recommended Method for Determining Assessed Values
Of Property For Taxation Purposes**

If consideration is given to the fact that in any given County there is only a certain fixed amount of land in the possession of private parties that can be taxed, a technique for determining how these private properties can be properly assessed in an equalized manner should be established. Taking Douglas County as an example, it is proposed that the following technique be used:

(1) The Assessor's Office can easily determine which properties are in private hands and from the Assessor's records establish the exact size of each one of these properties; (2) Each property can then be categorized according to zoning, such as farmlands, single family residence, multiple family residences, commercial purposes, such as office buildings, hotels, casinos, etc. Restrictions imposed by the TRPA and any other government police powers should also be considered; (3) Establish a factor for each of these categorical types of properties with a scale from one to ten. The highest factored properties on the scale of ten would be property with a skyscraper on a very small plot of land that would be income producing, such as offices, hotel, apartments, casino, etc. The lowest factored property on the scale of ten would be undeveloped land that has a moratorium placed on it preventing its development and right next to that, up the scale would be properties that are single family primary residence. In between the highest and lowest categories would be the spectrum of properties used for residential rental purposes, stores, restaurants, etc. In other words, the factoring relates to the utilization of land; (4) Having established the factored rating for each property and knowing the exact square footage of land, the Assessor can then determine mathematically the assessed value by multiplying the factor by the square footage of land. This factoring method takes into consideration only the utilization of the land and it need not relate to square footage or type of structure that is on the property since the use of the property itself would determine the factor used; (5) The tax rate to be applied to the assessed value can then be established so that the total gross taxes equal the approved budget.

There are many advantages to this system: First, it takes the determination of assessed values out of the judgemental subjective status (such as appraisal techniques) and puts it strictly on an objective basis. Second, it would eliminate the necessity of hiring an appraisal firm to periodically go around re-appraising property using comparable sales as one of its techniques. Third, it would be possible to utilize a computer program for calculating assessments, changing established factors up or down with the change of Federal published CPI (Cost Price Index) and keep all records. Fourth, it would eliminate the necessity for hearings at both the County and State levels of Boards of Equalization. Fifth, it would truly assure equality of taxation among all property owners throughout any given County. Sixth, it would take the assessed value completely away from the open market of buying and selling which is dependent on the vagaries of the economic situation of the country, community and individuals.

Governor List
March 6, 1981
Page 2

There are several ways of determining assessed values of property for taxation and enclosed is one recommended method for your consideration. It is believed that this system is one that would be acceptable to all property taxpayers.

Please let me know if further explanation or clarification is desired.

Sincerely,



J. R. Baker

Enclosure

cc: Mr. Roy Nickson - w/enclosure
Director, Nevada Tax Commission
Capital Complex
Carson City, NV 89710



The State of Nevada
Executive Chamber

March 12, 1981

Robert List
Governor

Capitol Complex
Carson City, Nevada 89710

Mr. J. R. Baker
Post Office Box 1806
Zephyr Cove, Nevada 89449

Dear Mr. Baker:

Thank you for your recent letter regarding methods of assessing property.

Your suggestions on the appraisal and valuation of properties are worthy of additional study. I am taking the liberty of discussing your comments with Assemblyman Louis Bergevin, who is a member of the Assembly Taxation Committee. Assemblyman Bergevin has a keen interest in revising the current methods specified by statute for the appraisal of property and is working on revisions to that portion of the law.

Thank you again for your letter and your support.

Sincerely,


ROBERT LIST
Governor

LAWRENCE E. JACOBSEN
SENATOR
MINORITY LEADER
CARSON CITY-DOUGLAS
401 S. CARSON STREET
CARSON CITY, NEVADA, 89710



COMMITTEES
MEMBER
FINANCE
NATURAL RESOURCES
TRANSPORTATION

Nevada Legislature

SIXTY-FIRST SESSION

March 16, 1981

J.R. Baker
P.O. Box 1806
Zephyr Cove, Nevada 89449

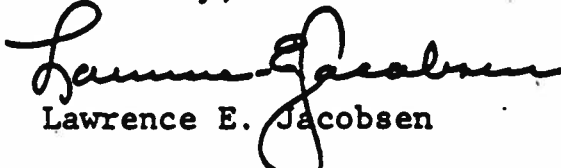
Dear Mr. Baker:

Thank you for your letter of recent date. I have read it with much interest.

Your enclosure recommending a method for determining assessed values of property, is much appreciated and I fully intend to share your proposal with the appropriate parties.

I, too, have been concerned with the recent increased tax assessment in Douglas County and will do my part in seeing that an equitable tax relief package is part of the legislation enacted in this Sixty-First Session of the Nevada Legislature.

Sincerely,


Lawrence E. Jacobsen

LEJ/cps

LOUIS W. BERGEVIN
ASSEMBLYMAN
CARSON CITY-DOUGLAS
P.O. Box 188
GARDNERVILLE, NEVADA 89410



COMMITTEES,
MEMBER
WAYS AND MEANS
TAXATION
HEALTH AND WELFARE

Nevada Legislature

SIXTY-FIRST SESSION

March 12, 1981

Mr. J. R. Baker
P. O. Box 1806
Zephyr Cove, Nevada 89448

Dear Mr. Baker:

Thank you for your letter in regard to the assessment procedure and property values at Lake Tahoe. I am fully supporting Governor List's tax reform and tax relief package and further requested legislation that should hopefully reflect a better true value of property in the State of Nevada, and it should also develop guidelines that should result in further reductions of the actual value of homes of people in this state.

This is a very complex, and at times perplexing situation, in trying to get the people in this legislature to go down the same road in determining what the tax relief package will be. We have had all kinds of schemes proposed. However, in the final analysis, there is nothing that will substitute for the governor's programs with some minor changes, and some further delineation of those things that have to be done to make it an equitable package for both the taxpayer and the people who spend the money.

Rest assured that this is my number one priority in this legislature to see that we get an equitable tax package out of this session that will give the property tax owner that kind of relief that he is looking forward to, and will still allow the various factors of government - the school districts, the counties, the cities, to properly operate.

Again, I appreciate your concern in this matter, and I continue to welcome your comments. Thank you very much.

Very truly yours,

A handwritten signature in cursive script that reads "Louis W. Bergevin".
Louis W. Bergevin
Assemblyman

LWB:ph

A.B. 369
First Reprint

1. Sales Tax remittance monthly - pp. 1-7.
2. LSST increased to 1.5¢ - p. 4, lines 13 & 20.
3. CCRT made mandatory - p. 7, lines 7-11.
4. CCRT increased to 1.75¢ - p. 7, line 31.
5. Distribution of $\frac{1}{2}$ ¢ CCRT (unchanged) - p. 8, line 10 through p. 9, line 16.
6. Distribution of $1\frac{1}{2}$ ¢ CCRT established - p. 9, lines 17-33.
7. "Basic ad valorem revenue" defined - p. 9, lines 34-41.
8. Landlord to renter pass through - p. 10, lines 19-24.
9. School fund property tax replacement repeal - p. 11, lines 6-10.
10. 50¢ levy by schools required - p. 12, lines 30-40.
11. School cap removed - p. 12, line 45.
12. School building reserve repealed - p. 12, line 45.
13. CCRT increase effective 5/1/81 - p. 12, lines 46-49.
14. Sales Tax delinquency rate increased - p. 13, lines 7-32.

Basis for Distribution
of
CCRT, Cigarette & Liquor Taxes

<u>City</u>	<u>Fiscal Year 1980/81</u> ¹		<u>Fiscal Year 1981/82</u> ²	
	<u>Population</u>	<u>Percent</u>	<u>Population</u>	<u>Percent</u>
Boulder City	5,223	2.8445	9,808	4.0184
Henderson	16,395	8.9287	25,333	10.3791
Las Vegas	125,787	68.5036	166,057	68.0350
North Las Vegas	36,216	19.7232	42,878	17.5675
	<hr/>	<hr/>	<hr/>	<hr/>
	183,621	100.00 %	244,076	100.00 %

¹ 1970 Census Figures.

² 1980 Preliminary Census Figures.

Impact on City of North Las Vegas
of
Population Shifts
on the Distribution of
CCRT, Cigarette & Liquor Taxes

<u>Tax</u>	<u>Projected Tax Revenue</u> ¹	<u>North Las Vegas Tax Revenue</u>		<u>Decrease</u>
		<u>19.7232 %</u> ²	<u>17.5675 %</u> ³	
CCRT	19,183,737	3,783,647	3,370,103	413,544
Cigarette	7,771,180	1,532,725	1,365,202	167,523
Liquor	1,364,890	269,200	239,777	29,423
	<u>28,319,807</u>	<u>5,585,572</u>	<u>4,975,082</u>	<u>610,490</u>

¹ Department of Taxation 1981/82 Revenue Estimates of Tax Revenue Available for Distribution to Incorporated Cities in Clark County.

² Based on 1970 Census Figures.

³ Based on 1980 Preliminary Census Figures.

CITY COUNCIL
MERTON E. DOMONOSKE, Mayor
JACK D. FRANK, Councilman
AROLD ROGERS, Councilman
CHARD GRAHAM, Councilman

CITY OF FALLON

JERRY J. McKNIGHT,
City Clerk & Treasurer
MARIO G. RECANZONE, City Attorney
BEN T. BARTLETT, City Engineer
Danny J. Wood, Chief of Police

Fallon, Nevada 89406

March 31, 1981

To: Honorable Members of the Senate and Assembly Taxation Committees

We concur with the comments made by the Cities and Counties at the hearing held by your Joint Committee on March 24, 1981 on SB 411. Our concerns at that time centered on loss of control at the local level, definitions of enterprise fund and regulatory fees, and retroactive rules on budget augmentation for the current fiscal year.

We support the concept of tax reform with sales tax being used to fund previous revenues received from ad valorem taxes. The City of Fallon has no real problem with a realistic cap on either revenues or expenditures, however the City does have a concern with funding its budget from sales tax revenues replacing actual ad valorem taxes received.

The City has historically received either an outright grant or a combination of a grant and transfer of the State gaming license fees from Churchill County. This arrangement has been negotiated in the past to hold the ad valorem rate in the City to a lower level as the County has a much higher assessment base. The grant and gaming tax transfer is in lieu of ad valorem tax. Considering the actual ad valorem rate of \$1.20 plus the grant, the effective rate for the current year and the past two years is as follows:

1978-79	\$ 2.179
1979-80	2.091
1980-81	2.045

Unless some equitable formula is derived for the distribution of sales tax to incorporate the effective ad valorem rate, the City of Fallon will have a substantial shortfall in its historical revenues.

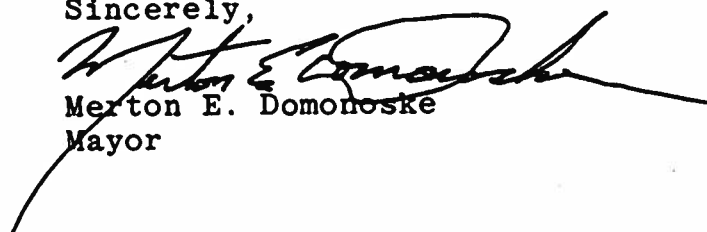
March 31, 1981

In Counties with two or more Cities the revenue derived from the City-County relief tax, State liquor tax and cigarette tax is distributed 100% to the Cities. In Counties with only one City, this revenue is divided between City and County on the basis of population. If all Cities were treated equally and received these taxes 100%, the City of Fallon would have historically had an ad valorem tax of zero and could have operated without the grant in lieu of ad valorem from Churchill County.

One other area of revenue that will be lost to the Cities, if all funding is from sales tax, is the 10% portion of the County Road Fund that is funded with ad valorem tax. We understand that action is being considered in this area in a separate bill, however this could be incorporated in the tax package being considered.

We respectfully request that the above items be given your consideration.

Sincerely,



Merton E. Domonoske
Mayor

RAYMOND E. ARMSTRONG
LOWELL C. BERNARD
LEROY R. BERGSTROM
DONALD E. MCGHIE
ROBERT J. SMEATH
RICHARD L. MAPLES
DOUGLAS E. GLENN
JERRY L. DAVIS
DAVID M. EBNER
FRANK GIANOPULOS
LAWRENCE J. HELSETH
WARNER WHIPPLE
ALAN C. HORWOOD
DAVID W. TURNER
RICHARD A. ECHEGARAY
HARRY D. MILTENBERGER
DOUGLAS L. PETERSON
RONALD D. SIMPKINS
RICHARD SCHLINGHEYDE
THOMAS L. BROOKER
W. DALE MCGHIE



AFOURY, ARMSTRONG & CO.
CERTIFIED PUBLIC ACCOUNTANTS

RENO
YERINGTON
FALLON
WINNEMUCCA
ELKO
LAS VEGAS

VALLEY BANK PLAZA, SUITE 800, 50 WEST LIBERTY STREET, RENO, NEVADA 89501 • (702) 322-9471

March 25, 1981

Honorable Keith Ashworth
Honorable Paul May
Chairmen
Committees on Taxation
Nevada State Legislature
Carson City, Nevada 89701

Dear Senator Ashworth and Mr. May:

I have reviewed SB411 as introduced March 13, 1981.

Having served with you on the SCR42 committee, I appreciated the proposed Section 33 providing for annual readjustments of assessed values. Its implementation is long overdue and should substantially diminish the inequities we observed. Too, the alternative prospect of a revenue cap has, in principle at least, much appeal.

As to the remainder of the bill, I do not share the philosophy that the State is necessarily more wise than the County, the City or the Fire District. Nor that a non-elected person should have such power over the commissioners, councilpeople or trustees I and my fellows elect. For the home of the Sagebrush Rebellion to propose such amputation of the capacity of local government to govern is beyond my understanding. If my choice of words is harsh, it is, nonetheless, accurate. Nearly all of the safeguards provided run either to the Department of Taxation, the interim finance committee or the Legislative Commission. However, well intentioned each of these may be, the Golden Rule of government will necessarily apply - he who has the gold makes the rules. With all respect to you and your fellows, I, for one, didn't find you on my ballot as a candidate for County Commissioner or trustee of my Fire District. I respectfully suggest this bill in its present form is uniquely destructive of self government in Nevada.

Philosophy aside, the bill has critical defects in its structure which, as a technician, I cannot ignore. I do not propose that I have identified them all, but enough.

Section 2: What is the meaning of entitled? Budgeted? Budgeted after augmentations? The language appears to address anticipated revenues. If so, it would significantly discriminate against the conservative who only budgets what he knows he'll have in favor of he who budgets what he hopes he'll have. Either technique, properly managed, can be effective. But any limitation should be neutral as between them.

Section 2.1(c): No exception has been made for T.V. Districts, Garbage Removal, Irrigation Districts or Medical Service Enterprises.

Section 2.2: The simplistic multiplier provided gives no effect to population shifts or growth, to changes in a community's economic base, to the potential impact of MX. It must result in catastrophe for the growth areas of our state.

Section 2.3: The decision of the Executive Director is final. No appeal forum is provided. With all respect to the existing Director, a familiar maxim comes most quickly to mind. "Power corrupts. Absolute power corrupts absolutely!"

Section 2.4: No exception is provided for grants-in-aid, gifts or other similar sources.

Section 2.5: This marginal levy technique has been employed elsewhere. It is both costly and destructive of long range planning. I have no idea why we would want to imitate it!

Section 2 (General): I believe this section effectively eliminates new internal service funds which, if used properly, are an effective management tool for local government. I doubt that was the authors' intent, but it is the effect.

Section 3.1: I've read it -and reread it. But I don't understand it. I presume an occupational fee (work permit) or building permit is included. What of a dog license, a business license, a traffic fine?

Accounting records for governmental type funds focus on the flow of resources, not the cost of service. The requirement for cost justified fees can, of course, be met, but only with material and costly modifications to all existing local governments accounting systems. With the effective denial of ad valorem taxes to provide for the traditional protection of property (fire and police), such a system would have to address, it seems to me, a variety of costs most difficult to measure. For example, the building permit for a new subdivision should provide not only for its share of plan review, inspection and the like, but also for the newly induced costs of police and fire protection during construction, since such construction clearly is the proximate cause of this necessary extension of service.

Sections 3, 4, and 5: The logic of reducing all fees because one is excessive escapes me.

Section 5.1: This section (and others) confuses ending balance with money. Further, the "fund balance" of a governmental fund may include a

variety of reserves or otherwise designated balances, including that appropriated for the succeeding year. Application of the language results in nonsense. If such a provision is retained, it must exclude fund balance already appropriated for the following year and such reserves as may be required or permitted by law, contract or regulation.

Section 5.2: Again, T.V., garbage, etc. has been ignored.

Section 5, in General: No exception is provided for debt service funds, for capital project funds, for internal service funds, for nonexpendable trust funds, for expendable trust funds, or for special assessment funds. Technically, even agency funds are required to comply. Too, the use of the term expenditures is inappropriate for the nonexpendable trust funds - if we really are basing this on "recognized principles of accounting" for governments. If, by the way, we mean "generally accepted accounting principles" for governments, wouldn't it be better to use that expression with its clear precedent and meaning than a new one not otherwise defined?

Section 7: I recognize the abuse of the "enterprise fund" concept. But I do not believe perpetuation of the old definition in statute is consistent with "recognized accounting principles". NCGA statement 1 defines enterprise funds. SOP 80-2 accepts that definition. It is presumptive to call a cat a dog just because we don't like some cats. The bill identifies those enterprise funds that are exempt from revenue and fund balance limitations. That should be sufficient without trying to reorder GAAP.

Section 12.1: The language is archaic. The changes perpetuate rather than correct it. Enterprise funds have expenses, not expenditures; retained earnings, not surplus.

Section 12.2: What does "balance" mean? Cash balance? Fund balance? I assume it means cash balance since the alternative means an enterprise couldn't contract for plant in excess of its fund balance, even though the plant was financed by bonds. The provision is an old one - if we are to change it, we should, I believe, clarify its meaning.

Section 13.1(a): The term "appropriation fund" is not defined - either in Nevada law or by GAAP. It is, I believe, generally understood in Nevada practice to mean a fund supported in part by an ad valorem levy. If we are to retain the term, let's define it. It seems to me a better solution would be simply to say what we mean - a fund supported in whole or in part by ad valorem taxes.

Section 13.3: As written, the section governs all funds. It leads to an interesting result with internal service funds. Example: A heavy winter causes a county to use more equipment hours than expected. This induces additional activity in the motor vehicle internal service fund. The increased activity results in increased fuel and other costs. It also results in additional revenue. But the fund, not being exempt from Sections 2 and 3, cannot augment its budget and, therefore, cannot, I suppose, provide the equipment to move the snow. Presumably the County must then contract with an outside firm for such removal while its own equipment lies idle.

I know the example is ridiculous, but I believe in Murphy's Law. It will happen.

Section 14: As a member of the State Board of Accountancy, I am unaware of any complaint of the Department of Taxation alleging substandard practice on the part of any licensee. Absent such complaint and a failure on the part of the Board to appropriately discipline the practitioner, I can only presume that "auditor" is equated by the authors' of the bill with "cop". I respectfully suggest no evidence has been displayed that independent auditors have failed to act independently and with due professional care.

Keith, you are a senior financial officer of a major corporation. Do you believe the public is best served by the appointment of your auditors by your Board, acting with the authority of your stockholders, or by the Securities and Exchange Commission?

I have in my 25 years of practice had the experience of auditing enterprises as the representative of grantors and creditors. The adversary relationship that thereby arises is terribly destructive to the audit process. The technical counsel now an integral part of the normal relationship between client and auditor becomes nonexistent.

If the Legislature believes the Department has insufficient authority to refuse to accept substandard reports, then make such authority express. No more is needed. The Department already has and has used authority to define or expand the scope of the audit (see local government Regulation 7). If specific matters should, in the Department's judgment, be investigated or commented upon, an amendment of local government regulation 7 would be the appropriate foundation - in the sunshine, with the public hearing and appeal procedures inherent in our Administrative Procedures Act.

Section 14.4: Unless you plan substantial additional funding of the Department of Taxation, the result of this section of the act will induce a significant delay in the timelines of Nevada local government financial statements. This is disruptive to effective financial administration, adds to the cost of bond issues and would likely deny the MFOA Certificate of Conformance to most Nevada entities, since they would find it impossible to meet the Certificate's timelines criteria.

Such a review, if it is to be more than cursory (in which case it serves no purpose), is not a matter of a few minutes. As a member of the Municipal Finance Officers Association Certificate of Conformance review committee, I have hands on experience with such matters. I find the average report submitted requires about four hours to review and comment on - and after 25 years of practice including several years with the Local Government Advisory Committee and three years with the AICPA's State and Local Government Committee, I am neither slow nor inexperienced in such matters.

I just returned from speaking at an MFOA GAAFR Conference in Albuquerque. Prominent among the attendees were many still awaiting release of their 1980 fiscal reports by their State Auditor's office (New Mexico). In March? The system in place is somewhat similar to that here proposed (except the auditor selection is initially at the local level). But the contractor is

the State Auditor and all reports must clear his office before publication. One entity recently went to the bond market without either a current statement or the Certificate of Conformance for which it would otherwise have qualified. It's hard to measure the basis points that cost - but in today's market place it wasn't cheap.

Gentlemen, if I may paraphrase Bert Lance, it ain't broke. Don't fix it.

Section 15: The language of this section does not permit a self-insurance fund to provide for unemployment compensation. Why? The cost of funding through ESD is excessive in initial years for most entities.

Section 16: If one is going to address this section, the investment limitation should be removed. NRS 355.170 could be incorporated by reference as an investment guideline.

Section 25: Some covenants are for operations and maintenance reserves. The proposed limiting language is inappropriate in such instances. This objection also applies to Section 26.

This letter was initially drafted as a basis for my intended presentation to the joint committee on the 24th. It will, of course, provide a similar foundation for my future appearance before you.

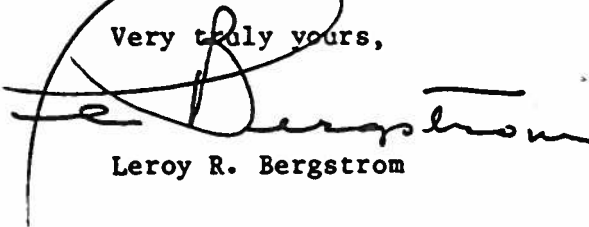
It is also appropriate, I believe, to speak to questions raised at the initial joint meeting that were not fully addressed by the witness.

Senator Raggio asked whether auditor selection by the State would not contribute to greater uniformity among the entities. I understand his question to mean uniformity in reporting similar transactions in a similar way. The answer, I believe, is NO. Uniform reporting of like transactions is accomplished by specifying accounting systems content and by defining in what accounts particular transactions are to be reported - not by auditor selection. I would point out that NRS 354 already gives extensive authority to the department. If the department hasn't elected to use its authority, you should address that - it is, after all, the real reason that the financial statements of similar entities are sometimes difficult to compare. As a matter of simple fact, nearly all of the "abuses" addressed by 411 could have been addressed by regulation. Should we not ask why they haven't been?

Mr. Rusk suggested that the present auditor appointment process is suspect because the auditor is generally reappointed just after he's made his report. He also suggested that in the eight years he served as commissioner in Washoe County, the audit firm repeatedly patted the County on the back, with nary a sharp word. I would agree that such a history would make the process suspect - and the audit firm as well. However, as a partner in that firm and as a principal in several of those engagements, I must respectfully disagree with Bob's memory of those events. I have taken the liberty of reproducing the management letters and auditor's comments for the years 1970 to 1978, which I have forwarded to Bob under separate cover. I'm sure he will share them with you.

If I can be of any assistance to you and your committees in the revision of this legislation, I would be pleased to do so.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Leroy R. Bergstrom". The signature is written in dark ink and is positioned above the printed name. There is a large, circular scribble or mark over the top part of the signature.

Leroy R. Bergstrom