



# STAFF REPORT

**Report To:** Board of Supervisors

**Meeting Date:** 2/16/17

**Staff Contact:** Nancy Paulson, Chief Financial Officer (npaulson@carson.org)

**Agenda Title:** For Possible Action: Presentation, discussion and possible direction regarding assumptions staff will use to prepare Carson City's Budget for FY 2017 -2018.

**Staff Summary:** Staff needs direction from the Board on assumptions for building the FY 2017-2018 Budget for Carson City. The main item is setting the property tax rate to be used. The Department of Taxation requires all local governments to inform them of the rate they intend to use by February 22, 2017.

**Agenda Action:** Formal Action/Motion

**Time Requested:** 20 minutes

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## **Proposed Motion**

I move to direct staff to use \$\_\_\_\_\_ as the property tax rate in preparing the FY 2017 - 2018 Carson City Budget.

Any other board action will depend on the discussion.

## **Board's Strategic Goal**

Efficient Government

## **Previous Action**

N/A

## **Background/Issues & Analysis**

## **Applicable Statute, Code, Policy, Rule or Regulation**

NRS 354

## **Financial Information**

Is there a fiscal impact?  Yes  No

If yes, account name/number: 2018 Budget

Is it currently budgeted?  Yes  No

Explanation of Fiscal Impact:

## **Alternatives**

Property Tax Rate alternatives

**Board Action Taken:**

Motion: \_\_\_\_\_

- 1) \_\_\_\_\_
- 2) \_\_\_\_\_

Aye/Nay

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
(Vote Recorded By)

# MEMORANDUM

**TO:** Nick Marano, City Manager  
Mayor and Board of Supervisors

**FROM:** Nancy Paulson  
Chief Financial Officer

**DATE:** February 5, 2017

**SUBJECT:** Pre-Budget Preparation Items

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The purpose of this memorandum is to provide information and request direction from the Board on the initial assumptions and estimates for revenue and expenditures to be used in preparing the FY 18 Budget.

The main item is setting the FY 18 property tax rate. The Department of Taxation requires all local governments to inform them of the rate they intend to use by February 22, 2017.

## GENERAL FUND REVENUES

### Property Tax:

For the FY 17 Budget, the City decided to maintain the property tax levy of \$3.52/\$100 assessed value. The maximum rate we can levy is \$3.66. For the FY 18 Budget, we could raise the tax rate, lower the rate or keep it the same.

The following table illustrates the projected FY 18 revenue increase based on an estimated 4.5% increase in assessed value, a property tax cap of 2.6% for both residential and commercial property and no increase in the tax rate:

Rate Levied	FY 18 Revenue Increase	% Increase over FY 17
\$3.52	\$700,000	3.1%

Pursuant to NRS, property taxes are capped at the amount levied on the property for the immediately preceding fiscal year plus:

1. The greater of:
  - a. The average percentage of change in the assessed valuation of all the taxable property in the county, as determined by the Department of

Taxation, over the fiscal year in which the levy is made and the 9 immediately preceding fiscal years; ***This percentage is currently negative.***

- b. Or; twice the percentage of increase in the Consumer Price Index for all Urban Consumers, U.S. City Average (All Items) for the immediately preceding calendar year. ***This calculation is 2.6%.***

2. Or 8% (3% for homeowners).

↳ whichever is less.

While Legislative efforts to reform the State’s Property Tax System look uncertain this year, one option would be to increase the rate by a small amount to hedge against future recessions and to provide an additional funding source for the Asset Management Program. A \$0.05 increase in the property tax rate would have little impact on current Homeowners due to the tax cap. The impact would mainly be on new construction; however, the owner of a new median-priced home would likely see an increase of less than \$50 on an annual basis. The additional revenue growth would likewise be modest, but it would grow over time and new construction would be subject to the higher rate.

**Consolidated Tax:**

Consolidated tax (CTAX) revenues are tracking higher than our projections (a 4.4% increase over FY 16 actuals). With 5 months’ worth of data in for the FY, CTAX is up 9.19% over the prior year. If we project 7% increases each month for the remainder of the year, we will end up 8% over FY 16. We will estimate FY 17 at an 8% increase and FY 18 at 4%. These percentages may be adjusted as additional CTAX information is received.

Additional revenues based on an 8% increase for FY 17 and 4% increase for FY 18:

FY 16 Actual	FY 17 Budget	FY 17 Estimated	FY 17 Additional Revenue	FY 18 Budget	Increase over FY 17 Estimated
\$24,846,886	\$25,922,488	\$26,834,637	\$912,149	\$27,908,022	\$1,073,385

If the current year to date trend continues, additional revenues based on a 9.19% increase for FY 17 and 4% increase for FY 18:

FY 16 Actual	FY 17 Budget	FY 17 Estimated	FY 17 Additional Revenue	FY 18 Budget	Increase over FY 17 Estimated
\$24,846,886	\$25,922,488	\$27,130,315	\$1,207,827	\$28,215,527	\$1,085,212

**Franchise Fees:**

Franchise fees are set at the maximum allowable by State law. No further action by the Board of Supervisors is necessary.

**Charges for Services:**

Landfill:

The compacted municipal solid waste (MSW) in-county fee paid by Waste Management is adjusted annually using the annual percentage change in the CPI for the 12-month period ending in December of the prior year. This results in an increase in the rate of 1.71% effective May 1, 2017.

FY 17 LANDFILL BUDGET	
<i>Revenue</i>	<b>\$3,676,100</b>
<i>Expenses</i>	<b>(1,925,814)</b>
<b><i>Net Income to General Fund</i></b>	<b>\$1,750,286</b>

In March 2016, the Board approved an agreement between Carson City and South Tahoe Refuse & Recycling / Douglas Disposal & Recycling Services to bring solid waste to the Landfill. Based on this agreement and other increased usage at the Landfill, we are projecting an additional \$715,000 in net income to the General Fund for FY17.

Investment in capital improvements and equipment replacement at the Landfill was delayed for several years during the economic downturn in order to help the overall General Fund Budget. This has had a significant impact on the Landfill. In order to begin funding capital for the Landfill, we recommend moving any additional net income for FY 17 (over the \$1,750,286) to a Landfill Capital Improvement / Replacement account in the Capital Projects Fund. In addition, for FY 18 we will budget \$1,750,000 in net income to the General Fund and transfer any excess revenues to the Landfill Capital account.

**ENTERPRISE FUND REVENUES**

Water, Sewer and Storm Drainage – The rates will be adjusted based on the Sewer and Water Rate Study performed in 2013 and the approved amendments to Carson City Municipal Code Title 12 by the Board on September 19, 2013. These budgets will be presented to the Utility Financial Oversight Committee prior to presentation to the Board of Supervisors.

**EXPENDITURES AND OTHER ITEMS**

**Salary Projections:**

The proposed budget for next year will contain the following increases:

<b>Contract / Resolution / Court Administrative Order</b>	<b>Salary Adjustments</b>
<b>Firefighters / Chief Officers</b>	3% COLA and Merits
<b>Sheriff Deputies</b>	2% Contract Adjustment
<b>Sheriff Lieutenants / Captains</b>	3% Contract Adjustment
<b>Sheriff Sergeants</b>	Merits
<b>CCEA / Unclassified</b>	1.75% Salary Range Adjustment and Merits
<b>JPO / Marshals / Bailiffs</b>	1.75% Salary Range Adjustment and Merits
<b>Alternative Sentencing Officers (FOP)</b>	Merits
<b>Classified / Unclassified Court Employees</b>	1.75% Salary Range Adjustment and Merits

**Benefits:**

- PERS – No change in rates.
- Group Health Insurance – budget 10% increase. Percentage could change based on negotiations with providers. Also budget a contribution to the OPEB Trust from the Group Medical Fund of 1% of salaries (approximately \$300,000).
- Workers’ Compensation – We increased rates by 10% in FY 17. No increase will be budgeted for FY 18.

**Services & Supplies:**

No increases to services and supplies line items except for contractual adjustments.

**Community Support – General Fund:**

Maintain the current funding level of \$265,000 for Community Support Services Grants.

**Capital Improvements / Asset Management Program:**

- 5 cents of the property tax levy go to the Capital Projects Fund to fund capital assets and facility improvements – this is estimated to be \$640,000 in FY 18. The debt service currently being paid from this fund will be paid off in FY 17. One

option for this tax revenue would be to issue 10-year bonds to fund a portion of the City's Capital Improvement Program (CIP). Debt Service of \$310,000 annually would allow us to bond for \$2,565,000 leaving a balance of \$330,000 for break / fix or other capital.

- Budget \$100,000 transfer from the General Fund to the Extraordinary Maintenance Fund.
- Budget a transfer from the General Fund to the Capital Projects Fund for CIP based on the level of fund balance to be maintained in the General Fund.

### **FINANCIAL POLICY FOR EXCESS REVENUES:**

To designate any excess unrestricted general fund balance, at the end of a given year, to be used in the following priority order:

1. Reserve Funds – maintain an Ending Fund Balance at a minimum of 5% of annual expenditures with a goal of 8.3% of expenditures.
2. Contingency – \$500,000 annually.
3. Infrastructure Repair – minimum of \$600,000 or 1% of annual expenditures. The amounts may differ annually based upon need.
4. Fleet/Equipment Replacement – up to 2.5% of operation expenditures.
5. Stabilization Fund – as allowed by NRS 354.6115 at a level equal to 10% of expenditures from the general fund for the previous fiscal year, excluding any federal funds expended.
6. Operating Expenses – justifications for new expenses must be related to actual service performance.



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MEMORANDUM

Date: January 17, 2017  
To: All Local Government Finance Officers  
From: Local Government Finance  
Subject: Tax Rate Changes for FY 2017-18

The Preliminary Revenue Projections publication, which establishes the preliminary maximum allowed operating property tax rate for all local governments, will be distributed on February 15, 2017. Please review and notify your analyst in writing by February 22, 2017 regarding the property tax rate your governing body proposes to levy in FY 2017-18. This office will compile and disseminate the information to the County Treasurers and the Centrally Assessed section of the Division of Local Government Services for use in the preparation of the property tax proforma revenue report. If we do not receive a response from you, the FY 2016-17 tax rates will be applied. Please contact the analyst assigned to your entity if you have any questions.

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