

CALL TO ORDER

The special meeting of the Board of County Commissioners was called to order on the above date at 5:15 p.m.

PRESENT: Gwen Washburn, Chair
Lynn Pearce, Commissioner
Norman Frey, Commissioner
Brad Goetsch, County Manager
Alan Kalt, Comptroller
Rusty Jardine, Deputy District Attorney
Kelly G. Helton, Clerk of the Board

ABSENT:

Pledge of Allegiance

It was verified that the agenda for this meeting was posted in accordance with NRS 241.

AGENDA

Commissioner Frey moved to approve the agenda as submitted. Chairperson Washburn seconded the motion, which carried by unanimous vote.

PUBLIC COMMENTS

Chairperson Washburn inquired if there were any public comments on issues that were not listed on the agenda. There were none.

APPOINTMENTS:

Public Hearing – Consideration and possible action regarding: Adoption of Churchill County’s Final Budget and Tax Rate for Fiscal Year 2007-2008

Comptroller Kalt stated in accordance with Nevada Revised each county must hold a public hearing on the third Monday in May on the tentative budget and related tax rates. The notice of this hearing was published in the Lahontan Valley News on May 11th. All of our department heads and elected officials are involved in the budget process, which provides the Commissioners a good idea of what their departmental needs are. On March 22nd the Commissioners’ Budget Workshop was held to review the Tentative Budget. At this meeting, we discussed some of the challenges that the County is facing. At that point, staff was directed to prepare a budget mitigation plan, which has been completed and shared with the department heads for feedback. He stated the budget calendar culminated with the final adoption of the final budget. He showed a Power Point presentation regarding the budget and tax rates. He said that the tentative budget was submitted to the Department of Taxation on April 14th and we have received feedback from them. As noted in the letter from the Department of Taxation, they found the budget to be in compliance with the statutes.

Comptroller Kalt stated there had been some changes between the final budget and the tentative budget previously presented. He finalized the property tax rates to comply with the provisions of AB 489 and SB 509. He updated the County’s revenue projections based upon data collected in the last 30 days. He reported that he has worked with Norma Green, the Churchill County Assessor, in establishing the final assessed value and projected property tax revenues. Other changes included: PERS rate adjustment, implementing the personnel audits on October 1 rather than July 1st,

miscellaneous changes in the departmental budgets as requested by those departments, and changes to water and waste water utility operations. Comptroller Kalt stated the statutory cap on property taxes is \$3.64 per \$100 of assessed value. The tax rates would be certified by the Tax Commission at the end of June. The set limits are 3% higher for primary residence and 6.6% for commercial properties. If the board approves a property tax increase that does not necessarily equal additional revenue to the County, especially as it relates to the individual home owner. For example, property taxes are capped and the taxes paid will be 3% higher in the new tax year from this year's rate. The amount of his abatement might shrink if we raise that rate but the amount he pays will be 3% higher, assuming no new construction on the property. The increase in the rate will impact new home construction in the City and the County. Property tax rates have been very stable over the past several years. He stated the rate for County residents would be increase slightly from 2.74 and one-half cents to \$2.775. The County property tax rate increased by 3 cents and we are still under the \$3.64 cap.

Comptroller Kalt gave an overview of the apportionment of the property tax rates. If a person lives in the City of Fallon, the County will receive 24.2%, the City will get 23.2%, the override rates are 7.5%, the State of Nevada is 4.7%, and two cents of the State rate goes to support Question 1. Churchill County has been very successful in getting Question 1 money back to our community. The school district is operating its debt service rate and they get the largest piece of the pie at 37.4%. The Carson Water Subconservancy District receives less than 1%, Mosquito and Weed Abatement receives 2.2% if you look at the overall rate as it relates to the City.

The County general rate was increased by three cents. Two cents was apportioned to Social Services and one cent goes to the General fund. Under the tax caps, one cent inside the caps only generates about \$4,000 of new money to the County. The indigent rate, the 10 cent rate, because of the funds that are there, or the lack thereof, need to increase that rate by 4 cents to fund indigent medical costs primarily connected with long-term care. There was a 2 cent decrease in the fire equipment apparatus fund as the voters did not approve continuation of that particular override rate. With regard to Mosquito and Weed Abatement, they voted on no change. The school rate and the state rate remained unchanged. The City increased their rate by one cent.

Of our County tax rate, 68.63 cents goes to the general fund, Social Services gets 7%, Cooperative Extension receives 3.25%, and the public library gets 8.41 cents. Of the override rates, the capital improvements (5 cents rate) go into the capital improvement fund, which supports both County and City projects. These funds are shared with the County receiving 80% and the City receiving 20%. We are allowed 20 cents of the SCCRT loss override. However, for many years, the commissioners have opted to not impose this allowed rate. The local government tax act is 2.19 cents since 1991, the youth services is 6.31 cents (to support WNRYS, China Springs & Aurora Pines), the indigent motor vehicle accident fund is 1.5 cents, indigent medical fund is 10.0 cents (1 cent to the State of Nevada, 8 cents for long-term care and 1 cent for other indigent medical care), the senior center is 3.0 cents, and the fire equipment no longer has any property tax allocation. We look at the school district rates where 75 cents is the operating rate required by statute, which has remained constant since the early 1980s when they changed that early

distributed school account formula. Sixty cents is utilized for debt service, which was lowered last year from 62 cents to 60 cents.

The consolidated tax distribution is made up of the basic city/county relief tax and supplemental city/county relief tax, which is the sales tax components: the government services tax, which used to be called the motor vehicle privilege tax, which is paid when you register your vehicle; the real property transfer tax, which is paid when you buy and sell real estate; and then the cigarette and liquor taxes. In the final budget CTX is projected at \$6.692 million. That money is distributed as follows: the general fund receives \$6.2 million and the other funds received \$422,000. We have had to stack the General Fund to support general operations with consolidated tax. Our ending fund balances are as follows: General Fund \$1.7 million (down from \$2.4 million); Road Fund is \$877,084; Social Services \$641,090; Public Library \$295,681; Cooperative Extension \$73,382; Building Reserve Fund \$1,486,326; and Extraordinary Repairs and Maintenance \$72,097.

The deadline to submit the final budget is May 31st. The Nevada Tax Commission will meet at the end of June to certify the tax rates. We have 30 days after the end of the legislative session to amend our final budget. The budget will become effective July 1st.

He also went through the budget book handout, including the letter from the Department of Taxation. Our budget, when compared to other local governments, is very thoroughly explained.

Chairperson Washburn asked for public comment but there was none so the public hearing was closed and comments were opened to the board.

Commissioner Frey asked if there is a turnaround in development could it have a positive impact on our projected revenues. Comptroller Kalt replied affirmatively but read a statement in the book regarding the purpose of the stabilization of operation fund. When we have a good year, we can fund that account up to ten percent. Currently, we are at nine percent. If revenues do not meet projections, it is likely that the funds in the stabilization fund will need to be used. As such, the board has requested the administration develop a budget mitigation plan to address possible shortfalls in projected revenue, although none are projected to occur at this time. If things do turn around, it will impact our revenue resources in a positive way. However, we were very aggressive in projecting CTX revenues at 6.6M in the current year but it will likely come in at 6.3M, and in the upcoming year we are projecting \$6.7 million in revenue. The CTX grew by a million bucks over the past 3 years but he is showing that it will only grow by \$114,000 in the upcoming year, which is a far cry from the million dollars that we were experiencing in the last 3 years. Comptroller Kalt said he is confident that we can continue to operate in a sound financial position. He cited as an example with the library, since they were present at the meeting, they start the budget year with \$600,000 beginning fund balance and in this current budget year we projected them to go under \$300,000 for three years, so they are burning \$100,000 per year. At that rate, we can't kid ourselves, we would be bankrupt in 3 years if we don't change our ways. We are fortunate to have built up those funds during our good years to help us weather the storm in an economic downturn. We may need to cut back to meet our expenditures. Comptroller Kalt said that their budget does not include their building fund, which is set aside specifically for that purpose and it will not be touched for operations.

County Manager Goetsch reminded everyone that if we experience a big hit in the geothermal rents and royalties as the industry continues to try to bring state and federal legislation to reduce those proceeds, taxes and other monies they pay, or if the state comes out of session with unfunded mandates or NDOT turns roads over to us, we might find ourselves supporting operations out of the general fund. Or, if labor negotiations really went south and we had some huge settlements with unions that we had not anticipated, we might have to pay for them and could have extremely negative impact for us. If the areas that we would find that we have to continue to hold the line if we see little change, which is what we expect, the projection for building and industrial growth is modest with the economy the way it is, and with the tax cap building affects or helps us in the year that it comes onto the tax rolls but then it falls under the abatement and has very little impact after that. So, holding the line on increasing the number of employees until the economy turns around and holding the line on escalation of employee positions will be important over the next few years after we've just accommodated some growth in previous years. Most communities tend, when the budget gets tight like this, to begin to quit doing maintenance and to begin to put off all capital improvements so you end up in older buildings with older vehicles and equipment and you begin to build costs that may never be able to be met. That is a challenge to watch that. We have done well with this in the past and if we can continue to utilize what we have, to maintain it well, and to pick one or two areas that really need the most attention the most. As the board is aware, the water and sewer projects will require support from the general resources until numbers reach the projected level to then pay back the general county but it may be 2-3 years before that happens.

Commissioner Pearce said he found it interesting that the total assessed valuation in realizing property taxes is roughly 25% of our revenue stream. If you look at our total assessed value since 2000-2001 to last year where we jumped 50% but then you look at the percentage that has remained in our budget has remained pretty much steady at 24-26% of the budget. He finds it interesting that you can have a 50% increase in part of your revenue stream but the impact on the budget is actually much smaller than you would think. Comptroller Kalt said part of the reason is because of the abatement. Over 3 million dollars of revenue is being abated back to the taxpayers. Our base year for the abatement was a low year. It was not that long ago when the median price of real estate in Churchill County was \$150,000 and now it is \$250,000 for the same basic house. However, it is on the tax rolls at \$160,000 so it shows up in that assessed value of \$686 million at \$250,000 but we collect property tax based on \$150-\$160,000. Therefore, it will be many, many years at 3% before it catches up to that market value. If you look at the geothermal graph on page 3 of letter 3, \$3.8 million up to \$22.5 million last year and \$20 million going forward, he would anticipate that number increasing, although through the settlement and subsequent regulations that were adopted, the method of calculation net proceeds has changed. So, even though geothermal is expanding, we will not see the increases back to the glory days when it was \$45 million back in 97-98. There is hope in net proceeds, however, as green energy becomes more viable in Churchill County.

Chairperson Washburn congratulated Comptroller Kalt on his hard work and in keeping the budget in line. She's talked to other counties that are struggling but

we are very fortunate to have Comptroller Kalt and County Manager Goetsch to keep us in line. Comptroller Kalt said that the department heads and elected officials are to be thanked for working cooperatively in this process. Our process is a role model for others because we experience a community partnership between the department heads, elected officials and the governing board. When we brought out the budget mitigation plan, it was difficult but it was great to listen to the dialogue whereby these departments agreed to what they could do without to ease the pain. His hat is off to them for the marvelous job they did.

Commissioner Frey agreed with those comments. As he hears about the problems that other counties have in their budget process, he is proud of how we have total involvement by everybody. In our process, the employees tell us what they need but other counties don't have that and it creates hard feelings. Churchill County is a team and everyone is on board and understands why we need to put budget mitigation measures in place. We certainly have one of the best processes around.

County Manager Goetsch added that as the board makes these hard decisions and as the department heads stepped forward to make cuts or to hold the line, we will see if this continues for another year or two, we will look at changing the hours or services in such a way as to have minor impact on our services to the public but you can't keep the taxes down and hold the revenues down and still provide greater services. The department heads have done a great job in making cuts or holding the line in areas that would have the least effect on their services to the public. However, there will be a little bit of pain felt and the board may get some phone calls from the public as we tighten the belt on our funding.

Commissioner Frey moved to approve the Final Budget and related tax rate for the fiscal year beginning 01 July 2007 and ending on 30 June 2008 as submitted. Furthermore, directing the Comptroller to forward the necessary documents to the Department of Taxation as required by Chapter 354 of the Nevada Revised Statutes. Commissioner Pearce seconded the motion, which carried by unanimous vote. Consideration and possible action regarding: Resolution #16-07; a Resolution assigning an additional portion of the Ad Valorem Tax Levy in support of the Cooperative Extension Fund for Fiscal Year 2007-2008 and other matters properly relating thereto

Chairperson Washburn read the Title of Resolution #16-07 into the record:
TITLE: A RESOLUTION ASSIGNING AN ADDITIONAL PORTION OF THE AD VALOREM TAX LEVY IN SUPPORT OF THE COOPERATIVE EXTENSION FUND FOR FISCAL YEAR 2007-2008 AND OTHER MATTERS RELATING THERETO.
The record should reflect the correction to the Resolution to read 2007-2008.

Commissioner Frey moved to adopt Resolution #16-07 assigning an additional portion of the ad valorem tax levy in support of the cooperative extension fund for fiscal year 2007-2008 and directing the Comptroller to include in the final budget packet to the Department of Taxation as required by NRS. Commissioner Pearce seconded the motion, which carried by unanimous vote.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 6:05 p.m.

APPROVED _____
Gwen Washburn, Chair

ATTEST:

Kelly G. Helton, Clerk of the Board