

**WASHOE COUNTY BOARD OF COMMISSIONERS
AND
CITY OF RENO CITY COUNCIL
AND
CITY OF SPARKS CITY COUNCIL**

SPECIAL JOINT MEETING

TUESDAY

9:00 A.M.

JUNE 27, 2000

PRESENT:

WASHOE COUNTY

Ted Short, Chairman
Jim Shaw, Vice-Chairman
Jim Galloway, Commissioner
Pete Sferrazza, Commissioner
Joanne Bond, Commissioner

Katy Singlaub, County Manager
Madelyn Shipman, Legal Counsel
Amy Harvey, County Clerk

CITY OF RENO

Jeff Griffin, Mayor
Dave Aiazzi, Councilmember
Sherrie Doyle, Councilmember
Tom Herndon, Councilmember
Dave Rigdon, Councilmember

Charles McNeely, City Manager
Patricia Lynch, City Attorney
Don Cook, City Clerk

CITY OF SPARKS

Tony Armstrong, Mayor
John Mayer, Councilmember
Phil Salerno, Councilmember
Phil Zive, Councilmember

Shaun Carey, City Manager
Greg Salter, Legal Counsel
Debi Dolan, City Clerk

ABSENT:

Pierre Hascheff, Councilmember, City of Reno
Bill Newberg, Councilmember, City of Reno

Mike Carrigan, Councilmember, City of Sparks
Geno Martini, Councilmember, City of Sparks

The Washoe County Board of Commissioners, the City of Reno City Council and the City of Sparks City Council met in a joint session in the Mardi Gras Meeting Room of the River Central Convention Center, 140 North Virginia Street, Reno, Nevada, with Mayor Armstrong presiding as Chairman. Washoe County Commission Chairman Ted Short, Sparks Mayor Tony Armstrong and Reno City Clerk Don Cook called the rolls for their respective entities and the Board and Councils conducted the following business:

AGENDA

In accordance with the Open Meeting Law, on motion by Mayor Griffin, seconded by Commissioner Short, which motion duly carried, Mayor Armstrong ordered that the agenda for the June 27, 2000, joint meeting be approved.

MINUTES

On motion by Councilmember Salerno, seconded by Commissioner Short, which motion duly carried, Mayor Armstrong ordered that the minutes of the special joint meeting of the Washoe County Board of Commissioners, the City of Reno City Council, and the City of Sparks City Council of May 23rd, 2000, be accepted.

Commissioner Galloway stated the record should reflect that at that meeting he made the point that this is about equity among the taxpayers and that the solutions should focus on correcting any taxpayer inequities.

PUBLIC COMMENTS

Al Hesson, area resident, commented that the in-fighting and backstabbing between Reno and Washoe County continues unabated. He stated that the two biggest issues facing northern Nevada and its economic well-being are Indian casinos and the proposed train trench; that the "wolf is at the door;" and that the next couple of years could be very difficult for this area if the officials don't get their acts together now.

Mayor Armstrong wished Reno Councilmember Hascheff a speedy recovery from his hip surgery.

00-586

WASHOE COUNTY FISCAL EQUITY STUDY

Mayor Griffin stated that for some time now the elected officials and the staffs felt that perhaps there was an imbalance among the entities; that the entities came together to bring in outside consultants to take a look at things; that they have determined that an imbalance does exist; and that at this time he is asking that everyone re-dedicate themselves to searching for the right solutions among themselves. He stated that the de-

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bate is currently being waged in the media, which is not the proper forum; and that he would make himself available everyday for meetings to bring this to resolution.

Chairman Short noted the historical significance of all the local entities coming together in this manner to solve problems among themselves. He stated that the County Commission has developed a position statement, which will be read later, and that the Commissioners are committed to solving any imbalance that is legally identifiable and correct. He further stated that the first crucial step is identifying the problem and, after that, if reasonable people are given a reasonable amount of time, they will come up with a reasonable solution; but the problems will not be solved by the media or by threats of withholding payments to the consolidated jail.

Mayor Armstrong agreed that this issue cannot be “tried” in the media and stated that the media should be kept informed so they can accurately report. He further commented that how the problems are solved is just as important as the solution and that the most important component is communication.

Emily Braswell, Executive Director, Truckee Meadows Regional Planning Agency, stated that fiscal equity among the entities has been a concern for many years; that there have been two previous attempts to sort this out that were not successful; and that the three things that cause studies to fail are insisting on a magic number, analysis paralysis, and taking a politically infeasible position. Presenting an overhead demonstration, Ms. Braswell reviewed historical and background information and a work program for testing potential solutions, stating that the purpose of the fiscal equity study was to evaluate the balance between County revenues and expenditures from Reno, Sparks and unincorporated Washoe County taxpayers keeping equity among the taxpayers uppermost; that the study did not analyze revenues and expenditures for Reno and Sparks; that the results of the study do indicate that a fiscal imbalance exists; and that the next question that needs an answer is should the situation be corrected and, if so, how. She then reviewed the list of guiding principles and consensus conclusions developed by staff to be used to address the issues, stating that there is no municipal tax structure to support the provision of municipal services to the unincorporated County residents and it appears that non-regional services to unincorporated County residents are being subsidized, at some level, by City of Reno taxpayers. Ms. Braswell next reviewed the table of potential solutions, which had been broken down into three categories of government organization (structure), fiscal and service provision (financial) and land use planning.

John Hester, City of Reno Planning Manager, explained the various potential solutions developed by the TAC (Technical Advisory Committee) in more detail displaying a chart and stating that staff feels the planning solutions, i.e., annexations, in-fill development and disincentives for raw land development, are very important and should be kept at the forefront of the Regional Plan update and the fiscal equity discussions. He further stated that each entity should have a level of service provision plan and a municipal tax structure to pay for non-regional services.

Ms. Braswell then discussed the testing of two potential solutions, annexation and the creation of a municipal unincorporated tax structure, advising that the consultant can model those; and stating that each entity needs to create a service level plan, if they have not yet done so, for the Regional Plan update later this year anyway. She stated that she feels it would also be appropriate for staffs to start looking at other areas that can be consolidated, such as the recent consolidation of fire services by Reno and the County.

Commissioner Galloway clarified that the consultant considered anything that was not a regional service, something that everyone in the whole region would benefit from, as a municipal service, even though some might not be what one would normally think of as a municipal service. Mayor Armstrong suggested that perhaps the media could help the community understand the difference between regional and municipal services.

John Sherman, Washoe County Finance Director, distributed a copy of the Fiscal Equity Position Statement and Action Plan adopted by the Board of County Commissioners and he read portions of the Position Statement. Mr. Sherman stated that there are three alternatives with three different figures and also pointed out that there is an Alternative 4, which shows no deficit; and that there is no one magic number for everyone to focus on. He stated that one of the County's priorities is to obtain citizen input by conducting a survey and putting an advisory question on the November ballot. Mr. Sherman also reviewed other actions and stated that the earliest the County could implement any actions would be July 1, 2001, since the budgets for this fiscal year have already been adopted and the County needs time to engage in a dialog with the community.

Mayor Griffin stated that Alternative 4 is the current system and it is that distribution formula that is wrong. Mr. Sherman stated that the Nevada tax structure has evolved over many years; that he does not necessarily believe that it is "broken;" that the County's position is that the Nevada tax structure is a relative demarcation point; that the County does provide two different types of services, which are accounted for in their general fund; and that they can agree that a separate tax structure and a separate accounting for those different services should be seriously pursued.

Mayor Griffin stated that the capacity of the County budget to provide municipal services is a result of the current formula, which formula is not the result of a grand design as it has been "tinkered" with for 20 years. He also suggested that perhaps inequities can be resolved with interlocal agreements for provision of services.

Reno City Manager Charles McNeely stated that he wanted to emphasize that staff's focus has not been on diminishing any services, regional or municipal.

County Manager Katy Singlaub stated that what everyone is agreed on is that everyone wants fairness to all the taxpayers and a healthy region, so everyone must be careful that any solutions that are implemented do not create other problems. She further stated that if the problem is the distribution of revenues, there is a legislative study

committee examining that issue and if that is what is broken, then that is what needs to be fixed, but it cannot be done in a way that is harmful to another entity.

Sparks City Manager Shaun Carey stated that he feels the Washoe County action plan also gives the two cities the opportunity to do some analysis to determine what works best for them.

Commissioner Bond stated that while long term solutions are being modeled and considered, there are some short-term, immediate solutions that can be looked at, such as service levels and providing services to each other through interlocal agreements.

Commissioner Sferrazza asked for copies of the two previous studies and stated that the separate taxing occurred when the cities chose to incorporate and, in doing so, agreed to provide services that had previously been provided by the County; that the reason it is more of a problem today is that over the years the level of service in the County has escalated; and that his suggestion would be that, once the differential is agreed on, the County could provide services such as snow plowing, Sheriff patrols, road maintenance etc., in the cities.

Councilmember Aiazzi asked whether anything came out of the other two studies. Ms. Braswell stated that it was her understanding that the earlier studies failed to produce results because the bodies at that time could not agree on the numbers and were not willing to attack the political realities of the situation. In further response to Councilmember Aiazzi, Ms. Braswell reiterated that there is no magic number that everyone is going to agree on and the range is between \$1.5-million and \$9.2-million that the City of Reno residents are subsidizing to unincorporated services. She also stated that there are numbers that can be studied for service provision, annexation impacts, etc. Councilmember Aiazzi then asked what the consultant is recommending as the preferred alternatives. Ms. Braswell responded that it is Alternative 1.

Councilmember Rigdon noted that the financial solutions appear to be just different ways to divide up the same size pie and there is nothing on the chart about giving rebates to the taxpayers who are paying for services they are not receiving. He further stated that the elected officials are supposed to be looking out for the customer, the taxpayer, not protecting the bureaucratic organization.

Ms. Braswell stated that there is no community where the taxpayer receives \$1.00 worth of service for every \$1.00 they pay in taxes and presented an analogy of herself never wanting to have to use the jail but wanting to make sure that it is there. She stated that she sees three possible ways to address the inequities, i.e., change the services provided to match the revenues, change the revenues to support the services, or change who provides the services.

Chairman Short stated that the County is examining the feasibility of lowering the general County tax rate and establishing a separate tax rate for the unincorporated area.

Councilmember Doyle stated that the land use issues and annexation should really be studied; that residents are moving out of the cities to the subdivisions being built in the unincorporated areas; that this is resulting in urban blight in Reno; and that service levels also need to be carefully analyzed.

Councilmember Herndon stated that this problem is so large that the solutions will be multi-faceted and on-going; that continually implementing little changes, examining the issues and refining the solutions, will result in the problems being solved; and that the bodies have to keep working together for the taxpayers.

Commissioner Galloway stated that annexation should be used for planning purposes and not for revenue generation, but he does support the recommendation to test the fiscal impacts of annexation and service districts.

Councilmember Aiazzi stated that the County went against the spirit of project when they hired their own consultant after the Regional Planning Governing Board contracted with EPS and that, to him, got the project off to a bad start; that the County should have considered this imbalance when preparing their budget for this year; that there have been two other studies; and that all the studies show that the taxpayers in the City of Reno are getting the short end of the stick. He further stated that everyone knew there was an imbalance and he is worried that the County is ignoring the results of these studies.

Commissioner Galloway, speaking as Vice Chairman of the Joint Annexation Subcommittee, provided background information regarding the selection of the consultant. He stated that this was not something that constituted binding arbitration; that it was always understood that other professional opinions could be sought; and that everyone was hoping the consultants would come up with a narrow range, but the range is between zero and \$9.5-million because substantially different sets of assumptions leading to substantially different numbers have been used. Commissioner Galloway stated that this is going to take a lot of sorting out and reiterated the comment that if reasonable people are given reasonable time, they will arrive at reasonable solutions; and that forcing the County to do things that later prove to be wrong and have to be undone will only do more harm. He suggested that the bodies begin the process of sorting this out instead of falling prey to Ms. Braswell's number one reason for failure, which is insisting on a magic number.

Mayor Griffin stated that he knows this problem is not going to get fixed right away; that entities' budgets are set for this fiscal year; that he does not think the City should try to make something happen; and that everyone should be focusing on the 2001/2002 fiscal year as the timeline when solutions should be implemented. He also expressed disappointment that \$130,000 was spent on a study that resulted in such differ-

ences, but stated that it would be unrealistic to focus on the dollar amounts. Mayor Griffin added that he does not wish to leave this issue up to the State legislature stating that the Cities and County have the resources, tools and capacity to make the necessary, fundamental changes.

Mayor Armstrong stated that the problem did not occur overnight and will not be resolved overnight and asked that the consultant respond to some of the comments that have been made.

Joe Chin, Economic and Planning Systems, stated that they looked at several alternatives in the study and they feel very strongly that Alternative 1, the economic perspective and regional allocations, is the most appropriate methodology to follow in measuring fiscal equity imbalance in terms of a group of taxpayers receiving benefits and services that they pay for. He stated that Alternatives 2 and 3 are flawed and described why; that an economic analysis is the most common way to test the overall fairness and equity of a tax structure and service delivery system; and that that analysis compares who pays for services versus who benefits from the services. Mr. Chin explained that the problem is that municipal services here are funded by regional revenue services; that there is no unincorporated property tax to pay for the municipal services that the County provides; and that this fiscal conflict will increase if this is not addressed, especially if there is more growth in the unincorporated area. He further stated that one of the solutions they are going to test is having a municipal tax structure in place that pays for municipal services in the unincorporated area because it is clear to them that in this region there are people in the unincorporated area paying less than the people in the cities and receiving about the same service levels; and that another alternative they are going to model is annexations.

Councilmember Mayer moved that the consultants be directed to model solutions 1, effects of annexations, and 2, creation of an unincorporated tax structure, and report the results back to the joint bodies. Councilmember Doyle seconded the motion and stated that the Joint Annexation Subcommittee and the Regional Planning Governing Board should start looking for more areas where services can be consolidated and/or regionalized and formulating a plan for developer incentives for in-fill in the cities.

Commissioner Sferrazza stated that, while he does not agree with some of the statements, he would support the motion because these problems need to be resolved. He also requested that the idea of the County providing some services in the Cities be examined.

Commissioner Galloway stated that the testing is not an endorsement of any of the models; that his dilemma is that County staff and other experts have found fault with some of the assumptions in this study; and that he will support doing the testing to learn what would happen in one area if a certain thing was done in another area.

Commissioner Short expressed his support for the motion stating that there are competing services in the Truckee Meadows and anything that would provide for

conjunctive use of resources or further consolidation of services would benefit all the taxpayers in Washoe County.

Mayor Armstrong noted that the Sparks City Council no longer has a quorum present (Councilmembers Salerno and Zive having left the meeting); and that legal counsel has advised that the group does not need to actually vote on the motion. Madelyn Shipman, Washoe County Assistant District Attorney, stated that the direction should be given to staff by comment. Ms. Braswell stated that staff has heard the direction.

Mayor Griffin asked if there was any consensus among the group to direct staff to do this locally only and not go to the State, as he is not comfortable with putting the future of the Truckee Meadows into the hands of people in Carson City. Ms. Singlaub advised that the SB253 legislative committee already has something scheduled on their agenda concerning this. Mary Henderson, City of Reno, stated that the entities, as a group, could tell the committee that it is premature for them to have this on their agenda. Commissioner Galloway commented that this subject is not on today's agenda for this group and that he is not prepared to discuss that. Mayor Armstrong noted that if the entities don't work together and solve this problem locally, the State will solve it and the bodies might not like their solution.

There being no further business to come before the joint bodies, the meeting adjourned at 11:30 a.m.

TED F. SHORT, Chairman
Washoe County Commission

ATTEST: Amy Harvey
County Clerk

JEFF GRIFFIN, Mayor
City of Reno

ATTEST: Don Cook
Reno City Clerk

TONY ARMSTRONG, Mayor
City of Sparks

ATTEST: Debi Dolan
Sparks City Clerk

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