The Washoe County Board of Commissioners, the City of Reno City Council, the City of Sparks City Council, and the Regional Planning Governing Board met in joint session in the Mardi Gras Meeting Room of the River Central Convention Center, 140 North Virginia Street, Reno, Nevada, with Regional Planning Governing Board Chairman Joanne Bond presiding.
ROLL CALL

Chairman Joanne Bond called the roll for the Regional Planning Governing Board. The following members were present at 8:40 a.m.: Joanne Bond, Geno Martini, Tony Armstrong, Mike Carrigan, and Jim Galloway. The following members were absent: Dave Aiazzi, Sherrie Doyle, Pierre Hascheff, Jeff Griffin, and Ted Short. It was determined that a quorum was not present. Commissioner Short arrived at 8:45 a.m. and a quorum of the Board was then present.

Mayor Tony Armstrong called the roll for the City of Sparks. Council members Mike Carrigan, Geno Martini, John Mayer, and Phil Salerno were present along with the Mayor, and Councilman Phil Zive was absent. It was determined that a quorum was present for the Sparks City Council.

Vice Chairman Jim Shaw called the roll for Washoe County. Commissioners Joanne Bond, Jim Galloway and Jim Shaw were present and it was determined that a quorum did exist for the Washoe County Board of Commissioners. Commissioner Ted Short arrived at 8:45 a.m., which was just after this roll call. Commissioner Pete Sferrazza arrived at 8:50 a.m.

No elected officials were present from the City of Reno. Mayor Griffin arrived at 9:00 a.m.

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APPROVAL OF AGENDA

For the City of Sparks, Councilman Martini moved that the agenda for the September 12, 2000, joint meeting be approved. The motion was seconded by Councilman Salerno and, upon call for the vote, the motion carried unanimously with five members present.

For Washoe County, Commissioner Galloway moved that the agenda for the September 12, 2000, joint meeting be approved. The motion was seconded by Commissioner Bond and, upon call for the vote, the motion carried unanimously with four members present. (Commissioner Sferrazza was not yet present.)

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MINUTES

For the City of Sparks, Councilman Salerno moved that the minutes of the joint meeting of June 27, 2000, be accepted. The motion was seconded by Councilman Martini and carried unanimously with five members present.
For Washoe County, Commissioner Bond moved that the minutes of the joint meeting of June 27, 2000, be accepted. The motion was seconded by Commissioner Short and carried unanimously with four members present.

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PUBLIC COMMENTS

There was no response to the call for public comments.

DISCUSSION – FISCAL ANALYSIS WORK PROGRAM – WASHOE COUNTY FISCAL EQUITY STUDY – ECONOMIC PLANNING SYSTEMS

Joe Chinn, Economic & Planning Systems, Inc., presented a report entitled, “TRUCKEE MEADOWS REGION FACING THE FUTURE” stating that this is a summary, wrap-up report for the work program started in the summer of 1999. Mr. Chinn conducted a PowerPoint presentation of the report reviewing the work program, identification of problems, findings, and potential solutions. He stated that their firm was selected for this project because of their reputation for comprehensive financial and governmental organization analyses, their ability to analyze complex situations, and their objectivity; and that the goals of the work program were to provide a better understanding of the service-to-revenue relationships among the entities, to quantify any fiscal imbalance/inequity, to assist in generating possible solutions to correct any imbalances or inequities, and to help sustain the long-term fiscal health of this region. Mr. Chinn stated that it is a given that the region is going to have considerable growth in the future; that the entities have an opportunity before them, through this fiscal review process and the regional plan update, to deal with, and solve, many of the problems and issues; that this will not be easy as there are many difficult issues and problems to be resolved; and that to successfully complete this process, regional agreements and cooperation among the entities will be needed.

Mr. Chinn then discussed key distinctions between the fiscal equity study, which examined only County revenues and expenses, and the fiscal projections for each entity for future years.

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8:50 a.m. – Commissioner Sferrazza arrived.

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Mr. Chinn stated that the fiscal equity study provided a measurement of where revenue is generated from, whether it be Reno, Sparks or unincorporated area taxpayers, and compared it to who benefits or how those expenses are allocated; and that the fiscal projections are an analysis of each jurisdictions’ budget, and those are projected forward to the year 2010 based on the current revenue/expense structure, current service levels and anticipated growth. He stated that they also examined the impact of Reno and Sparks redevelopment areas on property tax revenues and have tested some potential solutions, such as enacting an unincorporated area tax structure and the fiscal impact of annexation and
new development. Mr. Chinn emphasized that the baseline analysis was conducted using FY98/99 actual numbers because that was the most recent year available when the analysis was started. He also explained that in the study municipal services were defined as the local services provided by each jurisdiction, such as police/sheriff patrols, road maintenance, planning, etc.; and that the County also provides regional services on a county-wide basis, such as health, social services, detention, probation, juvenile, assessor, courts, etc.

Mr. Chinn then reviewed the findings of the fiscal equity study stating that they are: 1) the City of Reno taxpayers generate significantly more in revenues to Washoe County than City of Reno residents and businesses are allocated in County expenses, 2) the City of Sparks residents and businesses are within a million dollars of being balanced between revenues generated and expenses allocated, and 3) the unincorporated area residents and businesses generate significant deficits as the revenues generated from them are less than the expenses allocated to them. He further stated that this imbalance is caused by the lack of an unincorporated tax structure, which results in a shortage of revenues to support municipal services in the unincorporated area.

Next, Mr. Chinn reviewed the fiscal projections stating that they developed a fiscal impact model related to each of the three entities using historical revenue and expense information and having meetings with the financial staffs; that the Board and Council members could look at this information as if they were looking at their budgets for the year 2010; and that the results of that were that all three jurisdictions showed a fiscal deficit by the year 2010 because the current revenue structure is unlikely to generate the revenue growth sufficient to meet the growing service needs. He stated that each entity must have a balanced budget, so all three agencies are going to have to take corrective actions to increase revenues and reduce expenses by increasing taxes, reducing service levels or finding more efficient ways to provide services at a lower cost. Mr. Chinn also stated that with the phase out of AB104, the Special Motor Vehicle Privilege Tax, this region is going to lose over $6-million; that assessed value growth is limited by the State depreciation factor; that tourism and gaming have been flat during the 90’s; that sales tax growth is also projected to grow slower in the future than it did in the 90’s due to economic and demographic reasons; and that the entities are going to be faced with a real challenge to maintain the economic health of the region.

Mr. Chinn then discussed the fiscal impacts of redevelopment, but noted that there was insufficient data available to determine the real impacts of city redevelopment areas on the changes in assessed values; that all they could do was provide a very wide range; and that the impact is likely to be somewhere between the upper and lower limits.

Mr. Chinn then reviewed their analysis of the fiscal impact of new development stating that they measured the impact from 6 different types of land uses, i.e. suburban and urban single-family homes, multi-family units, office, retail and industrial, for the three entities, and the findings were 1) residential development produces a negative fiscal impact, 2) non-residential development generates a fiscal surplus, except that, in the unincorporated area, approximately 10 years after development, it becomes fiscally neutral, 3) develop-
ment in the Cities of Reno and Sparks generates a greater positive impact than development in the unincorporated area because of the higher tax rates paid by the City residents, 4) Washoe County receives a surplus from development in Reno and Sparks for all land uses except multi-family, and 5) as developments age, expenses increase relative to revenues for all land use types due to the statewide assessed value depreciation factor and increased expenses, which for government, typically increase quicker than the rate of inflation.

Next, Mr. Chinn discussed creation of a tax structure for the unincorporated area stating that there are a number of fees and taxes the County can look at, such as property taxes, franchise fees, business license taxes, increasing recovery from enterprise funds, and that the County could also look at reducing municipal expenses. He stated that, without looking at increasing any other taxes and fees, they tested what the unincorporated property tax rate would have needed to be in 98/99 in order to balance the unincorporated revenues to the unincorporated local expenses and that they determined that the additional tax rate needed would have been $.44/per $100 of assessed value, or a home with an assessed value of $145,000 would have had to pay $220.00 more per year in property taxes. Mr. Chinn stated that that solution would not be possible because it would put the County over the State property tax cap of $3.64; and that if that could have been done, the regional property tax that the County currently collects could be decreased.

Mr. Chinn then discussed another potential solution that was tested, the fiscal impact of annexations, and stated that under the current tax structure, the fiscal situation to the County is always enhanced with annexation into one of the cities because the County still retains most of its revenue base upon annexation, however, the County no longer provides the municipal services for those areas. He further stated that residential annexations generally have a negative fiscal impact to the city in which annexation occurs and non-residential annexation usually has a positive fiscal impact to the city.

Mr. Chinn then cited other potential solutions that the entities should consider pursuing, some of which would require State legislative changes; and in summarizing, he emphasized that all three jurisdictions will be facing shortfalls in the future under the current revenue structure; that the long-term fiscal health of the region is in jeopardy; and that regional cooperation and agreements will be needed to address these issues.

Emily Braswell, TMRPA Executive Director, reviewed a chart entitled, “Underlying Needs” stating that these were developed after getting the results of the fiscal analysis in an attempt to determine how to turn this into a positive situation for everyone. She stated that the developers and land owners also need to be in sync with the local governments so that the whole economic base of the region is not negatively impacted. Ms. Braswell further stated the Nevada tax structure was created when mining and gaming were the primary industries, but times have changed; that the assessed value depreciation formula certainly undermines the fiscal health of the region; and that the City of Sparks has taken the lead on revising that in the next legislative session. She then reviewed the recommendations that have been developed such as direction from the entities that their Managers begin negotiations for Reno and Washoe County taxpayer equity. She stated that
an unincorporated tax structure needs to be established and that Washoe County has beg-

un a service plan, including how to fund services, for the unincorporated area. Ms. Braswell stated that annexations, sphere of influence, in-fill development, and land use strategies need to be addressed in the regional plan update and that staff is recom-

mending that this be an on-going process with development and testing of future solutions and monitoring and education through annual reporting and keeping the TAC and fiscal review team in place, which is comprised of the Managers, Planning Directors and Finance Directors of each entity.

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9:35 a.m. Chairman Bond stated that a quorum is now present for the Regional Planning Governing Board.

On motion by Mayor Armstrong, seconded by Commissioner Short, which motion duly carried, Chairman Bond ordered that the agenda for the September 12, 2000, meeting of the Regional Planning Governing Board be approved.

On motion by Commissioner Galloway, seconded by Mayor Armstrong, which motion duly carried, Chairman Bond ordered that the minutes of the special joint meeting of June 27, 2000, be accepted.

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GROUP DISCUSSION: NEXT STEPS AND STAFF DIRECTION

Mayor Armstrong asked if the assessed value depreciation applies to commercial and indus-

trial property. Teri Thomas, Sparks Finance Director, stated that all improved prop-

erty is depreciated at 1.5 percent per year until it reaches 75 percent of its value, whether it is commercial, industrial or residential, and land is valued at market value. Mayor Armstrong stated that it is not as simple as just raising taxes because the cap is $3.64 and suggested modeling the affects on revenues without depreciation. He also stated that it is very important to keep the Washoe County legislative delegation informed about what the joint bodies are doing and trying to accomplish.

Mayor Griffin stated that how services are funded is in jeopardy and that it would be na-

ive to think these problems are going to be solved without hurting anyone; that people will either receive less services or they will pay more for them; and that he would like that aspect removed as a goal because it is not achievable.

Commissioner Sferrazza asked several questions concerning the numbers used by the consultants concerning single family homes and sales taxes stating that this is contrary to everything he has heard before. Mr. Chinn explained the methodology used. Commissioner Sferrazza asked for the raw data stating that he does not agree with the numbers. He further stated that when he was with the City of Reno, Reno did benefit when they annexed property, especially the islands, because they were already providing the serv-
ices in those areas. Commissioner Sferrazza noted that, in the projected budgets, all the property taxes are “lumped” but some of those are overrides and asked whether the consultant deducted those and the taxes that are being used to pay for regional services before calculating the number. He further stated that he does support the City of Reno’s proposed resolution except in one respect and that is that one-third acre development should not be occurring in the County. Commissioner Sferrazza stated that he does not believe this is a local problem; that it is a State problem and even a national problem because it is occurring all over; that people who live in the cities traditionally pay more and get a higher level of service; and that people do have a choice of whether to live in a city or in an unincorporated area. He suggested that a possible solution would be for the City to disincorporate, which he knows is not acceptable, or that the Cities annex everything. Commissioner Sferrazza stated that the entities need to move forward to a solution, but he is concerned about some of the numbers and would want to know that accurate data is being used.

Commissioner Galloway stated that Mayor Armstrong’s suggestion is a good one and that he would like to have an in-depth analysis of the depreciation factor as he does not think it would be a big windfall because property cannot be taxed for more than its market value. He further stated that depreciation does not apply to the land value; that it applies only to structures; that it is calculated on the replacement value and not the market value; and that it is a fact that older structures are not worth as much as new structures. Commissioner Galloway stated that if depreciation is eliminated, appeals to the Board of Equalization will increase with people claiming that they are being assessed for more than the market value of their property. He further commented that he agrees with Mayor Griffin concerning the fact that this will not be painless and some people will have to pay more, but also added that people should be given a choice of whether they want to pay more to maintain a level of service or receive less service. Commissioner Galloway concluded asking that the City of Reno cease and desist perpetuating the $16-million figure in releases from its Public Relations Department.

Commissioner Short stated that everyone is going to have to exercise fiscal constraint, do some belt tightening, and look for other efficiencies and areas where services can be consolidated. He noted that jail bookings are up 20 percent this year, wages are up, and, extending those out 5 years, the future does not look good. He stated that Washoe County has a fiscal equity model; that the County acknowledges the $1.17-million deficiency in scenario 3; and that that is the only analysis subject to the current tax distribution laws. He stated that the cities could go to the legislature and possibly get those laws changed, but also cautioned about doing so stating that if it wasn’t done right, all the money could end up going to Las Vegas. He stated that he would also like to see the numbers on phasing out the depreciation and that all the entities should work together on that. Commissioner Short advised that the County is working on several things such as determining service levels in the unincorporated area, examining franchise fees, etc.

Commissioner Shaw stated that it is evident that there is an imbalance and a lack of tax structure for the unincorporated residents; that the County has discussed putting an advisory question on the ballot for the unincorporated residents and letting the voters decide
what they would like to do in reference to that; and that he would like to suggest that the County continue searching for solutions and keep discussing this at the Regional Planning Governing Board level.

Chairman Bond asked, that along with the depreciation factor modeling, if there would be some way to evaluate service levels and explore ways the entities can contract with each other to provide services in the annexation areas as a way to help each other out. She asked the consultant if the 44-cents was based on the one-year evaluation. Mr. Chinn responded that that was what it would have taken in fiscal year 98/99.

Katy Singlaub, County Manager, reported that the County also retained financial experts to assist with the modeling of the unincorporated tax structure and that the number they are looking at is 10-cents rather than 44-cents.

Chairman Bond stated that that would be a quick fix, but in the long term, it would not be a good fix; that 98/99 was supposed to have been a fairly good year; and that no one has looked at the numbers for a bad year.

Ms. Braswell stated that it is not necessary to fix on a particular number; that addressing the problems as a region, looking at service planning and levels and how to pay for services is critical; and that the numbers and solutions will continue to evolve.

Mayor Griffin stated that although there is disagreement about the level of inequity, the three local governments should ally themselves because it is his belief that as the Governor looks at the State fiscal situation, he is going to be faced with some hard choices and the legislators may agree with the Governor; and that the local elected officials should dedicate themselves to continue talking to the Governor and the legislators to ensure that if the State delegates duties to the local entities that they also provide the revenues to do the job. He also stated that there are several common structural issues that the entities should be working together on that are under the purview of the legislature.

Mayor Armstrong agreed that in terms of what they are proposing on depreciation, it is vitally important to keep the legislative delegation and the Governor informed and involved.

Commissioner Sferrazza expressed his concern about the depreciation proposal stating that he has spent years doing ratio studies and litigation on this; that most of the older properties are located in the Cities; and that eliminating depreciation may actually result in a windfall to the unincorporated County because those people are going to pay more taxes to the County as well. He further stated that his district includes some of the poorer areas of the city and those people, many senior citizens and low income folks, are going to be hammered; that the history of the depreciation formula was that senior citizens had lived in their homes for many years and had paid their taxes, therefore, in their retirement they shouldn’t be hammered with higher property taxes; but that in reality what has happened is when those older properties are sold, the new owners pay the same low taxes because of the depreciation. Commissioner Sferrazza offered a solution that property
taxes be based on how many years a person has contributed taxes in this community rather than the age of their house. He emphasized that if depreciation is dropped, some of these older homes are going to double, or even triple, in taxes. He also stated that his property has never gone down in assessed value, even with depreciation; and that almost everyone’s property values go up every year because of increases in the land values and the factor amount set by the State.

Councilman Mayer stated that he and Councilman Salerno are backing the depreciation proposal; that the idea is that when a home sells, the depreciation reverts back; that they do not want to hurt someone who has lived in their home for 30 years; but when they sell that house to someone else, the new owner should start paying. Commissioner Bond asked if it was modeled after California Proposition 13. Councilman Mayer said it was.

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10:10 a.m. – Councilman Salerno left the meeting.

Ms. Braswell stated that it appears modeling for depreciation phase-out is a critical element; that that does fit within the structural financial changes; and that she will have the fiscal review team determine how to accomplish that and pay for it and then she will bring that information back to the Board. She also stated that the idea of 1-acre minimum lots in the unincorporated area combined with service levels and provision of services would be considered as a part of the regional plan update process and how land use decisions are made would be a critical part of that discussion. Ms. Braswell advised that she would add those two items to the other recommendations for direction to staff.

Commissioner Sferrazza asked for more explanation concerning these recommendations. Ms. Braswell stated that staff is recommending that Washoe County and the City of Reno begin negotiations to discuss franchise fees, service provision, etc., to find some short-term solutions to the fiscal equity question; that Washoe County continue working on a tax structure for the unincorporated residents to pay for their services, as well as a service plan, for a long-term solution; that annexation, service planning, and land use strategies for both in-fill and undeveloped land are issues to be discussed and addressed in the regional plan update; and that the fiscal review team be kept in place for ongoing monitoring, reviewing, and developing other future solutions.

Commissioner Sferrazza stated that he feels more discussion is needed on the depreciation phase-out; that he feels another important aspect is that it should only apply to owner-occupied property and not to apartment complexes, rental units, etc.; and that he would like to have more details on the Sparks proposal. Ms. Braswell stated that they would make all of that part of the discussion at the fiscal review team and report back to the Boards.

Councilman Mayer clarified that the action being sought by staff is to direct the fiscal review team, which is made up of the three Managers, the three Finance Directors, the
three Planning Directors, and Ms. Braswell, to continue working on and testing all possible solutions, those outlined in the staff report and discussed at this meeting, as well as any others that evolve, and to report back to the Boards as more specific information is developed.

**CITY OF SPARKS**

Councilman Martini moved that staff’s recommendations be accepted and approved. Councilman Carrigan seconded the motion. Mayor Armstrong asked that the motion be amended by adding that the Governor and the legislative delegation be kept informed regarding this matter and that the City of Reno vote on this at their next meeting since they do not have a quorum present at this meeting. Mayor Griffin stated that they would and also requested an amendment to the motion that EPS continue to provide these kinds of briefings and that EPS be used as the vehicle to make similar presentations to legislators. Mayor Griffin further stated that he knows the City of Reno would assist in payment to EPS for the additional services through the Regional Planning Governing Board. Councilmen Martini and Carrigan agreed to amend their motion to include the amendments. Mayor Armstrong called for the vote and the motion carried unanimously with four members present. (Councilman Zive was absent and Councilman Salerno had left the meeting.)

**REGIONAL PLANNING GOVERNING BOARD**

Sparks Mayor Armstrong moved that staff’s recommendations be accepted and approved, that the Governor and the legislative delegation be kept informed regarding this matter, that the City of Reno vote on this at their next meeting, and that EPS continue to provide these briefings and be used as the vehicle to make similar presentations to the legislators. Sparks Councilman Carrigan seconded the motion. Commissioner Sferrazza asked if the fiscal review team operates by consensus or majority vote. Ms. Braswell stated that they must reach consensus. Commissioner Sferrazza stated that he could support the motion on that basis. Chairman Bond called for the vote and the motion carried unanimously with seven members, including Commissioner Sferrazza as an alternate, present. (Washoe County Commissioner Ted Short had left the meeting.)

**WASHOE COUNTY**

Commissioner Sferrazza moved that staff’s recommendations be accepted and approved, that the Governor and the legislative delegation be kept informed regarding this matter, that the City of Reno vote on this at their next meeting, and that EPS continue to provide these briefings and be used as the vehicle to make similar presentations to the legislators. Commissioner Bond seconded the motion. Vice Chairman Shaw called for the vote and the motion carried unanimously with four members present. (Chairman Short had left the meeting.)

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Specifically, staff was directed by all the entities, except the City of Reno, to continue with the Fiscal Analysis Work Program as follows:

1. **FISCAL EQUITY SOLUTIONS**

   Negotiation of solutions to taxpayer equity for Reno & Washoe County through the Fiscal Review Team as a forum for the discussion and negotiation. *(Including but not limited to franchise fees, service provision, and other joint projects and collaborative efficiencies)*

   Unincorporated Tax Structure/Service Plan: Washoe County will continue to pursue a service plan and a tax structure for the unincorporated area. *(To include service level evaluation)*

   Annexation: Review and discuss annexation of various areas as a solution to fiscal imbalance.

2. **REGIONAL PLAN UPDATE ISSUES**

   Annexation and sphere of influence issues and the fiscal impact of development in all three entities.

   Service planning for each of the entities and the impact of development on service provision and revenue.

   Infill development strategies.

   Fiscal and land use strategies for deliberate and careful development of the scarce supply of raw land; incentives for preservation of recreation and open space opportunities as part of the region’s economic base for the future. *(including, but not limited to, setting one-acre minimum, or other thresholds for development in the unincorporated area.)*

3. **STRUCTURAL/FINANCIAL SYSTEM CHANGES**

   Modeling for the impact of different depreciation schedules and methods of phasing out depreciation applied to improvements when determining assessed values; discussion and consideration for owner-occupied properties only.

   Create long-term fiscal review team for ongoing monitoring of regional fiscal health, continuing review and development of future solutions, including testing/modification of potential solutions, and education through annual reporting.

4. *Keep the Governor and the Washoe legislative delegation informed.*
5. Retain EPS for further analysis and presentations as determined by the Fiscal Review Team with funding requested by the RPGB, and to use EPS as the vehicle to make similar presentations to members of the legislature if necessary.

6. Make a request to the City of Reno to take up the recommendations for consideration at their next regularly scheduled meeting.

10:20 a.m. There being no further business to come before the joint bodies at this time, on motion by Commissioner Sferrazza, seconded by Councilman Martini, which motion carried unanimously, Chairman Bond ordered that the meeting be adjourned.

ATTEST:

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TED SHORT, Chairman
Amy Harvey, County Clerk
Washoe County Commission

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Tony Armstrong, Mayor
Debi Dolan, City Clerk
City of Sparks

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Jeff Griffin, Mayor
Don Cook, City Clerk
City of Reno

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Joanne Bond, Chairperson
Amy Harvey, County Clerk
Regional Planning Governing Board