

*Board of County Commissioners*

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February 23, 2011

The Honorable Brian Sandoval  
Governor of Nevada  
101 North Carson Street  
Carson City, NV 89701

Dear Governor Sandoval;

Thank you for taking the time to meet with the Nevada Association of Counties and County Commissioners on February 16, 2011. We appreciated the ability to call in to the meeting and share our concerns regarding your proposed budget.

In particular, we shared our concern that the proposed budget unfairly burdens the almost 900,000 residents of unincorporated Clark County. This letter is in response to your request for further explanation and analysis of this inequity.

The County General Fund budget supports a wide array of services that are provided to all residents of Clark County as well as certain town services that are specific to residents of unincorporated Clark County. The attached organizational chart (Exhibit A) provides a summary of the breakout of the two types of services as well as those functions that support both types of services.

The County receives certain revenue sources that are specific to the funding of either County regional services or town services. For example, all residents of Clark County pay the County operating property tax rate of \$0.4070 per \$100 of assessed valuation to support county-wide services. Also, the County General Fund receives an allocation of consolidated tax by way of the statutory formula to additionally fund these services. Finally, other lesser amounts of revenue from certain charges for services can be directly linked to the provision of regional services.

Similarly, the County also receives certain sources of revenue that are specific to funding town services. The unincorporated town funds receive property tax and consolidated tax revenue for this purpose, and the cost of providing these services is also supported by significant business license revenues and other charges which are attributable to activities that occur within the unincorporated town boundaries.

Staff has recently performed an analysis of the cost of providing county-wide and town services to the revenues available for each. Exhibits B & C present the results of the analysis for FY 2009 and 2010. For both years, the amount available for county-wide services was insufficient to support the associated costs resulting in a funding deficit of \$36.9 million and \$64.3 million, respectively. As such, taxpayers in unincorporated Clark County are, in effect, subsidizing the cost of services provided to taxpayers in the incorporated cities.

The extent to which any particular regional service is "consumed" by a resident of a given jurisdiction is, obviously, not readily apparent and could vary materially over time based on any number of factors. It is, however, relatively easy to calculate the extent to which residents of each entity may be benefitting from the subsidy provided by the unincorporated towns based simply upon the population of each jurisdiction. Exhibit D presents the results of this analysis for Fiscal Year 2010. Of the \$64.3 million in subsidized county-wide service costs, over \$36 million represents services that are potentially being provided to incorporated City residents but paid for by unincorporated County residents.

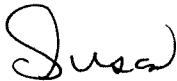
The data necessary to complete this analysis for FY 2011 is not yet available since in order to make the analysis meaningful, actual financial results rather than budgeted amounts are needed. However, staff is not aware of any significant changes in the County's current financial condition that would materially alter the FY 2010 structural imbalance.

The various proposals included in the State budget that shift costs or reduce funding available to the county, are likely to increase the structural imbalance dramatically in FY 2012. All of the proposed cost shifts or funding reductions will impact county-wide services, which is understandable given the fact that the State budget does not include much that could be categorized as municipal/town services.

Because it is unreasonable to assume that the county budget can absorb the impacts, which are estimated at somewhere in the neighborhood of \$50 million annually, these proposals will necessitate further reductions in both county-wide and town services. This will necessitate that unincorporated county taxpayers fund an even greater share of county-wide services since additional funding from incorporated city taxpayers is obviously not forthcoming. This is likely to increase the structural imbalance by an amount that exceeds \$20 million annually to well in excess of \$80 million in total.

This structural inequity created by the reliance on diversion of countywide revenue streams as well as the shifting of programs and program costs to counties greatly concerns us. As stewards of the public services Clark County provides and representatives of the almost 900,000 residents unfairly burdened by this imbalance, we ask you to reconsider your budget proposal to more equitably distribute the burden among all residents in Nevada.

Sincerely,



Susan Brager  
Chair



Steve Sisolak  
Vice Chair

CC: Board of County Commissioners  
Don Burnette, County Manager  
Doug Johnson, President, NACO  
Jeff Fontaine, Executive Director, NACO