



February 13, 2012

Chairwoman Marilyn Kirkpatrick  
Subcommittee to study the allocation of money  
distributed from the Local Government Tax  
Distribution Account  
401 South Carson Street  
Carson City, Nevada 89701-4747

Dear Chairwoman Kirkpatrick:

Re: City of Sparks Consolidated Tax (CTX) Considerations & Proposals

Thank you for the opportunity to participate in this very important legislative study on the distribution of consolidated tax revenue. As requested at the February 1, subcommittee meeting on CTX distribution, following are the key issues from the City of Sparks on the noted subject. This letter was approved by the City Council at its regularly scheduled meeting February 13, 2012.

### **3 Primary Areas of Focus when Considering CTX Formula Changes**

1. **Revenue Neutrality.** Changes should not take existing revenue from one agency and give it to another, creating “winners” and “losers”. This can be accomplished by:
  - a. Maintaining the current Tier I distribution model and
  - b. Re-setting the Tier II Base Distribution according to FY '12 actual receipts
  - c. Should revenue decline, agencies should receive distributions in accordance to their Base Distribution percentages (i.e., no change to the current model).
2. **Urban Growth.** Distributions in excess of the new FY '12 Base Distribution should be allocated with a heavier weight toward cities to more accurately reflect where growth has already occurred as well as where growth is expected to occur in the future.
  - a. The current model does allocate excess distributions to areas of growth, but it has not been enough to accurately reflect the rapid growth that occurred after the original Base Distribution was established in the mid 1990's. In other words, the economic landscape is very different now due to past rapid growth, and the cities need an opportunity to “catch up.”
3. **Simplification.** The current formula, while comprehensive, is cumbersome to understand and administer; and any changes should be relatively straight-forward in both theory and application. A review of this formula every 10 years or so also seems warranted to ensure the formula is reflecting the current economic climate.



**Suggestions for Change by Applying the Considerations Listed Above**

1. Maintain the Tier I calculation model
  - a. Distributions to newly incorporated cities should be done through interlocal agreement among agencies within the affected county.
2. The Tier II Base Distribution should be re-set to maintain revenue neutrality.
  - a. Each agency should be allocated a new Base Distribution according to their total CTX distributions received in FY '12.
  - b. This new Base Distribution dollar amount would be the minimum amount distributed in subsequent years to each agency assuming total Tier I receipts equal at least the total from FY '12.
  - c. Base Distributions in future years need to match actual monthly receipts from FY '12 Base Year in order to match seasonal patterns of receipts.
3. Tier II allocations of excesses from the re-set FY '12 Base Distribution should be focused on growth within cities and measured with equal weight toward population and assessed valuation. This should be allocated as follows:
  - a. 35% of the variation should be allocated among county, city, and special district agencies according to Base Year distribution percentages (under this proposal, this would match the Base Distribution percentages that are currently in use under the existing formula).
  - b. The remaining 65% of the variation should be allocated among cities according to each city's portion of annually determined population and assessed valuation.
    - i. This second 65% allocation should also be weighted equally between population & assessed valuation by taking the average city portion of each measure.

We have included a spreadsheet in this proposal as well, showing how the recommended calculation changes would work with fictitious numbers as an example. We will be happy to speak with you or a member of your staff should you have any questions.

Sincerely,

Geno R. Martini  
Mayor