

MEMO  
TOWN OF PAHRUMP  
TOWN BOARD SPECIAL FY10 BUDGET MEETING AGENDA ITEM  
MEETING DATE: 04-08-2009

TO: Town Board

FROM: William Kohbarger, Town Manager  
Michael Sullivan, Finance Director

DATE: April 8, 2009

RE: Review and Approval of Town of Pahrump and Swimming Pool District  
Tentative Budgets for Fiscal Year 2009-2010

**1.) Budget Process Overview**

We will be reviewing a collection of funding recommendations for twenty-two funds covering a wide variety of community services and programs. The goal is to broadly cover the outlines of our financial direction so that we can file a preliminary budget as required with the Department of Taxation on April 15<sup>th</sup>, with a Final version approved and submitted on June 1<sup>st</sup>. The new Fiscal Year commences on July 1, 2009 and ends June 30, 2010.

During the following weeks we can refine any specific area or answer any questions in more detail, so that a revised final Budget can be available for the required Public Hearing on Thursday May 21, 2009.

We intend to review each Fund's sources and uses of funds, and in doing so to provide historical and future policy areas each one reflects. Understanding the uncertain economic times, the total gross revenues and expenditures are our current best conservative estimates based on information provided by the Department of Taxation.

**2.) Budget Adoption Time schedule**

Below is a summary of the dates related to the preparation, review, and submittal of next fiscal year's budget:

- (a.) **April 8-10<sup>th</sup>** – Public Budget Workshops and Adoption of Preliminary Budgets.
- (b.) **April 15<sup>th</sup>** – Town files Tentative Budget with the Department of Taxation.
- (c.) **May 21<sup>st</sup>** – Town Board Public Hearing to Adopt Final Budget.
- (d.) **June 1<sup>st</sup>** – Town files approved Final Budget with Department of Taxation.

### **3.) Budget Worksheet Organization**

Our budget is generally divided into four major sections by fund type:

**(a.) General Fund** - Four main operating units/cost centers, with two small unstaffed cost centers units.

**(b.) Special Revenue Funds** - restricted fee or tax sources and related uses. They are primarily room tax funds, cemetery, business license, and purposes set up over the years.

**(c.) Capital Funds** - restricted sources and uses dedicated towards capital type projects, not operating expenses.

**(d.) Enterprise Fund** - Ambulance Fund operations

### **4.) Financial Sustainability**

The essential goal should be to develop a budget that is financially sustainable based on the best available economic assumptions which are reasonable and provide projections which are conservative, and avoid creating unfunded liabilities. As stewards of public funds, we should attempt to develop service levels that reflect a commitment of living within our means in a prudent man approach. I believe our financial health is solid due to prudent management of budgets and realistic capital projects and operations.

As with any resource allocation, there are many challenges to balance competing community needs and service levels with available resources, especially in a growing community such as Pahrump. Evaluating and setting priorities is often difficult even in economic expansions, but as a result of the legislative tax cap action and real estate trends, it could become more difficult. Our choices for increasing revenues are limited by state law, electoral procedures, and community acceptance.

### **5.) Budget Highlights**

Although we will be reviewing the budget for each of the separate funds, here are some general comments and recommendations.

#### **a. Economic Trends**

The national and local economic trends have stalled development growth in Pahrump. Our assessed valuation has increased, but clearly new residential construction has ceased, and it is anticipated that the slowdown will next affect commercial projects not already in

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the funding pipeline. Nye County building permits have significantly reduced our projected Impact Fees as well as sales tax collections impacting CTX distributions from the State.

b.) Population - The state demographer has established the Town of Pahrump's population for FY10 at 38,882. That is only a 2.52% (954) increase from the FY09 population. In FY09 we experienced a 3.5% (1,283) increase and a 9.91% (3,303) increase two years ago in FY08. Based on these FY10 population figures, the Town represents approximately 82% of the entire 47,370 population in Nye County.

c.) Assess Valuation - The Town's assessed valuation has grown 8% from \$1,551,501,459 last year to \$1,675,959,005, an increase of \$124,457,546. Based on the Department of Taxation's projections, the Town represents approximately 87% of the \$1,931,909,838 assessed valuation for Nye County.

While this increase in both population and assessed valuation is sizeable, the current national, regional, and local real estate trends would suggest that such increases may not continue at these levels next year. The recent building permit fee report for new single family residential units indicates that as few 10-13 are being constructed during the year.

Also, it should be noted that under the provisions of the tax cap legislation, property tax revenues related to residential parcels is limited to 3% after the first year a property is added to the tax rolls. So even though the assessed valuation base has grown 8%, the growth rate of the actual property tax to be collected has remained virtually flat as new construction has ceased and re-valuations are occurring.

d. Tax Cap

Now as it enters its fourth year since passage, the long term impact of the 3% tax cap law is being coming significant as the growth of assessed valuation has slowed due to lower new construction being added to the roles.

e. Impact Fees

As a result of the impact fee ordinance enacted by Nye County in September, 2006, two new funds were created to account for the Parks and Fire Impact Fees. However, due to credit market contractions, the Impact Fee collections for both Parks and Fire Services have dropped significantly below projections in both FY08 and FY09.

Economists don't predict that we will see any rebound during the next fiscal year. Luckily we have only spent nominal amounts from the Impact Fee Funds, while we were negotiating intergovernmental agreements regarding the distributions of impact and development fees with Nye County.

MEMO  
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So we will need to continue to be cautious, understanding that even some or the projected or collected fees may be subsequently reduced to provide allowable credits to developers for capital improvements they might install during subsequent construction.

f. PETT Funds

In the past, Nye County has solicited requests for grants as part of their budget preparations, and a NC staff committee reviewed and recommended to the BOCC those grants to be funded. However, the former PETT funding agreement with the DOE lapsed and since FY09, no annual grant submittal and review process has been

Two prior year PETT grants are pending completion for the Simkins Park and Community Center roof.

**6.) Fiscal Impact**

Based on current Department of Taxation revenue projections, there are sufficient available resources to adopt the FY 2010 Tentative Budgets for all of the Funds as presented.

**7.) Town Manager Recommendation and Board Action Requested**

The Town Manager recommends that the Town Board approve the Preliminary FY 2009-2010 Budgets as presented with any amendments, and direct that they be filed with the State Department of Taxation with the appropriate forms, and further authorizes the Finance Director to amend as directed by the Department of Taxation to comply with subsequent revised information or legislative action

Due to difficulties on finalizing policies and calculations related to the tax abatements under the AB489 tax cap legislation, we may be directed by the Department of Taxation to make required changes prior to filing these documents, especially since the legislature will be in session and could pass legislation impacting our submittal.

Therefore we usually request, that staff be allowed, if necessary, to amend the final budgets as directed by the Department of Taxation in order to file in a timely manner, and if so, to advise the Town Board at their next regularly scheduled meeting of the changes.

If you have any additional questions, I would be happy to answer them.

Attachment A: Town of Pahrump FY 2010 Proposed Preliminary Budget Worksheets.