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## RHGID Board of Trustees to Consider Implementation of an Ad Valorem Tax

### **FUNDING SOURCES:**

RHGID has three distinct, separate funding sources:

- \* Water
- \* Sewer
- \* General Fund (for roads and storm drains)

### **GENERAL FUND:**

The General Fund is currently financed solely by the District's share of the state's Consolidated Tax (CTX).

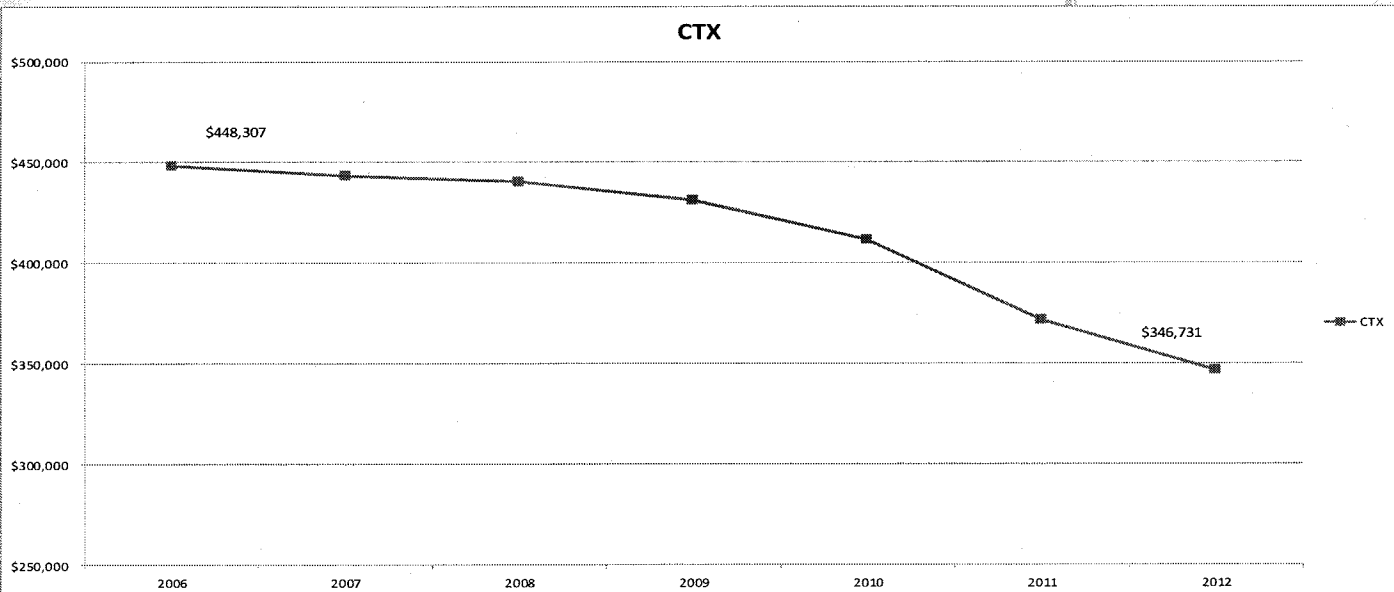
Like all jurisdictions, RHGID's share of the consolidated tax has steadily declined since 2006.

Implementation of an Ad Valorem tax would be used to augment the revenues of the General Fund

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## **DECLINING CONSOLIDATED TAX REVENUES**



### **CTX REVENUES DECLINE:**

In the 2005 / 2006 fiscal year, RHGID received \$448,307 in consolidated tax revenue

In the 2011 / 2012 fiscal year, RHGID received only \$346,731, a decrease of 25%

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## **PAVING COSTS:**

Paving McFaul Way in 2010 cost RHGID \$672,478

Paving Elks Point Road in 2013 is contracted to cost RHGID \$606,151

Implementation of an Ad Valorem Tax will be used to fund future paving projects.

Implementation of RHGID's \$0.3838 Ad Valorem Tax will generate an additional \$300,000 in paving and General Fund revenues annually.



## **ADVANTAGES TO RHGID AD VALOREM TAX:**

**Let's keep your tax dollars in Round Hill.** There is, and will always be, competition for your tax dollars. If another entity is successful in raising your tax commitment, those taxes will leave Round Hill for other services outside the District.

By implementation of this Ad Valorem Tax, we can be sure that the money will be used right here in Round Hill.

An Ad Valorem Tax can be used as a deduction from your Federal tax burden.

RHGID is required by statute to evaluate the need for an Ad Valorem Tax on an annual basis, and eliminate the tax if no longer necessary to fund the operations of the District.

## **F.A.Q.'s:**

1) What will the new revenue be used for?

- To fund future paving projects scheduled for 2016, 2019, 2022, 2025, 2028
- To rebuild reserves

\* General Fund reserves have fallen by \$450,000 since 2006 to fund the 2010 and 2013 paving projects.

2) What will the impact be to my tax bill?

- Maximum of 3% of your current tax bill. To determine your maximum obligation, multiply your current tax obligation by 0.03.
- For a home valued at \$104,011 with a 2013 / 2014 tax bill of \$1,651.82, the increase will be a maximum of \$49.55 per year. (3% of \$1,651.82)

3) What if we don't implement an Ad Valorem Tax?

- Ad Valorem taxes will increase. If RHGID does not implement an Ad Valorem Tax, that money will go off the hill and won't be used by Round Hill for paving our roads.
- New paving projects in 2016, 2019 and beyond will likely not be accomplished due to lack of funding.

4) Are there other options to raise additional revenues?

- We could implement some form of a road paving fee that would not be tax deductible from your Federal tax burden.

5) When will the tax take affect?

- With the 2014 / 2015 budget year, beginning July 1, 2014.

6) How will the tax be administered?

- The tax is administered through Douglas County on your regular property tax bill.

7) What is an Ad Valorem Tax?

- \* Ad Valorem means "in proportion to the value", and is thus in proportion to the value of your home / property.

# Ad Valorem Proposal

The RHGID Board of Trustees is considering the development of an Ad Valorem Tax beginning with the 2014 / 2015 fiscal year budget to augment revenues for the District's General Fund (GF). Round Hill GID has three distinct, separate funds, the Water Fund, the Sewer Fund and the General Fund. The General Fund is used solely for the maintenance of the roads, which includes paving, snow plowing, sanding, and maintenance of the storm drain systems within the District. Currently, the District's only source of General Fund revenues is our share of the State's Consolidated Tax.

The implementation of the Ad Valorem (AV) Tax would augment the District's General Fund revenues and allow the District to continue to pave and maintain the District's roadways. To date, RHGID has never implemented an Ad Valorem Tax, even though the District has the authority to do so under the Nevada Revised Statutes Chapter 318.225 – 318.250.

## **BACKGROUND:**

In 2009, RHGID enlisted the services of R.O. Anderson Engineering to create a Comprehensive Pavement Maintenance Plan, which outlines a twenty year process to pave and maintain all of the roads within the District. The Plan calls for paving in three year cycles during those twenty years. RHGID completed the first phase of that plan (McFaul Way) in 2010. Paving Elks Point Road began in July of 2013. Both of those projects were / will be completed utilizing current District General Fund reserves. However, due to decreases in the amount of revenue received from the District's portion of the State's Consolidated Tax, the District no longer has adequate reserves to continue future paving without raising additional revenues.

In the 2005 / 2006 fiscal year, RHGID received \$448,307 in Consolidated Tax revenue. The years between 2006 and 2012 saw significant decreases in the Consolidated Tax revenue and in the 2011 / 2012 fiscal year, the District received only \$346,731; nearly a 25 % decrease from 2006. Therefore, the RHGID Board of Trustees is contemplating the creation of an Ad Valorem Tax to augment its General Fund revenues and to allow the District to complete the Pavement Management Plan as developed.

Consolidated Tax revenues are based on the total assessed valuation of Round Hill, which has declined from \$113,816,755 in 2007 to \$102,537,852 for 2013, a decrease of 10%. Even if Round Hill's assessed valuation increases, and the consolidated tax revenue increases, Round Hill will still need more revenues to complete all of the future paving projects and continue ongoing road maintenance.

## **PROPOSAL:**

An Ad Valorem Tax has a financial benefit for residents over the creation of a new paving "rate" to cover road maintenance as the Ad Valorem Tax is a portion of the resident's property tax and is therefore deductible from a homeowner's Federal tax burden. If it became necessary to establish a paving fee, that fee would not be tax deductible. RHGID was entitled to an Ad Valorem Tax rate of \$0.3838 / \$100 of assessed valuation for the 2013 / 2014 tax year. Had the District implemented the Ad Valorem Tax during the 2013 / 2014 budget process, the District could have received approximately \$340,000.

There is a State statute limiting the total property tax rate within any jurisdiction in the State to \$3.66 per \$100 of assessed value. Currently, the tax rate in Round Hill is \$2.7916, leaving \$0.8684 un-implemented taxes in Round Hill. RHGID's available \$0.3838 would bring the Round Hill tax rate to \$3.1754, still below the state cap maximum.

RHGID is entitled to take any amount up to the maximum allowed \$0.3838. However, another State statute allows only a maximum 3% annual tax increase for residential properties and 8% for commercial properties. Therefore, RHGID can only receive revenues that do not increase the overall tax rate more than those percentages.

As we know, there are competing interests for the currently available \$0.8684 in un-implemented taxes. For example, Douglas County is considering implementation of a road paving and maintenance tax, outside the County General tax. If Douglas County is successful, those tax dollars will be used to pave roads outside of Round Hill. There are, and will continue to be, competing interests for additional tax dollars. The implementation of an Ad Valorem Tax by the District will ensure that the money raised through this effort will stay in Round Hill for the benefit of its residents.

If the County tax rate in Round Hill reaches \$3.66 and Round Hill does not yet have an Ad Valorem Tax rate, the tax cap of \$3.66 will have been met, and RHGID will then be ineligible to apply for, or receive any Ad Valorem Tax revenue.

## **REVENUES:**

The purpose of the Ad Valorem Tax is to provide revenue to the General Fund (GF) that will allow the District to maintain progress on its Comprehensive Pavement Management Plan. As the Pavement Management Plan is currently written, after this summer, RHGID is scheduled to pave again in 2016. Given the District's current GF reserves, we will not be able to maintain that 2016 schedule. Implementation of the Ad Valorem Tax will allow us to maintain that schedule.

If the District implements the Ad Valorem Tax during the 2014 / 2015 budget process, RHGID will likely receive approximately \$300,000 and another \$300,000 in 2015 / 2016; thereby providing the necessary revenue for 2016 paving. The following three years will re-build the reserves in the General Fund and provide funding for the 2019 paving cycle.

## **IMPACT:**

The maximum tax rate increase allowed by law, and thus the maximum increase affecting Round Hill customers in the next tax year is 3%. Therefore, a Round Hill property with a total assessed value of \$104,011 and a 2013 / 2014 tax of \$1,651.82 would see an annual increase of \$49.55 at the 3% maximum.

## **CONCLUSION:**

The Board of Trustees seeks innovative opportunities to reduce expenses and is generally opposed to the implementation of any new rates or taxes. However, the Trustees have a fiduciary responsibility to the residents of the District and must ensure that the GID remains capable of performing all of its duties; now, and in the future. Given the current reserves maintained by RHGID and given the potential that the District will not be eligible for future Ad Valorem Tax implementation, this may be the appropriate time to implement a new General Fund revenue source via the Ad Valorem Tax.

Most other local GIDs have already implemented an Ad Valorem Tax rate, and RHGID is one of the last to do so. Keeping future tax dollars in the District for the beneficial use of Round Hill's residents is important to the Trustees. Maintaining the roads has a net positive effect on your property values. The Board is sensitive to the overall quality of the infrastructure within the District, and properly caring for that infrastructure is a priority of every Trustee.

## **INPUT:**

The Board understands that the idea of implementing an Ad Valorem Tax is potentially controversial. The Board is sensitive to the concerns of the residents of Round Hill. Therefore, the Board is soliciting feedback from Round Hill's customers; you, the residents. Please plan to attend the next Board of Trustees' meeting on September 17th at 6:00 p.m. at the Fire Station on Elks Point Rd. so your opinions, concerns and feedback can be heard by the Board.

If you are unable to attend the Board meeting, please feel free to contact any Trustee (contact information available on our website, [www.rhgid.org](http://www.rhgid.org)) or the District's Manager, Greg Reed, at the office facility at 343 Ute Way or call (775) 588-2571. Any and all feedback is welcome.

Round Hill General  
Improvement District

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