

# Ruling ripples through county, school district

Ruling called 'game-changer' at county

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Washoe County officials are starting to gauge the fallout of a Nevada Supreme Court decision from last week that ordered the county to issue property tax refunds to Incline Village and Crystal Bay property owners and opened a budget hole that could exceed \$40 million by early estimates.

The refunds are for the owners of 8,700 parcels in the two north Lake Tahoe communities who overpaid in property taxes in 2006-07. The decision is the result of a nine-year legal battle over improper property assessment methods, such as basing property values on views of Lake Tahoe, that were ultimately deemed unconstitutional.

For now, county officials are still trying to calculate the total cost of the refund and finding the people who are owed money, which could take months. County commissioners are expected to address the matter at their July 26 meeting.

While county officials in 2009 said the refund would amount to \$13 million, County Manager Katy Simon said a more accurate, albeit very rough, estimate is closer to \$40 million, of which approximately \$4 million is about five years of accrued interest for the unpaid refunds.

In an email sent to employees last week, Simon called the high court decision a "game-changer," but had little detail regarding the potential effect on entities such as the Washoe County School District.

Regardless, county commissioners must now figure out how to close the potential \$40 million deficit on top of a \$33.8 million budget

gap the county was already facing, which the county seeks to fix by \$20 million in employee concessions and program cuts.

Washoe County's total budget for the next fiscal year is about \$600 million, down from about \$754 million five years ago. Meanwhile, the county has eliminated about 20 percent of its staff.

On Tuesday, county commissioners met with district attorney officials in a closed-door session to go over the implications of the ruling, including which county entities will need to pay for it and how much they'll owe. Besides the school district, entities that could take a budget hit are the North Lake Tahoe Fire Protection District, Incline Village General Improvement District and the state.

But how much and who is affected is still undetermined, District Attorney Richard Gammick said.

"Our position is everybody that has received funding from this should be involved," he said. "To what extent still needs to be determined."

## Backup plans

Unlike the county, the Washoe County School District set aside \$6 million in 2009 from its general fund in case of an eventual property tax loss to the Incline Village and Crystal Bay property owners.

Simon said the county never set aside money to pay off a potential refund because it would have meant more layoffs and service cuts.

"We never want to adversely impact employees and our citizens without a very good, unavoidable reason," Simon wrote in the email to county employees. "In addition, the

actual amount of the refund has varied based on changing property tax values, and it was also not certain which property taxpayers might qualify for a refund, so determining an amount that we could reasonably expect to be liable for was not feasible."

Gary Kraemer, the chief financial officer for the Washoe County School District, said the school district could foot about a third of the \$40 million refund based on the amount it supported in a similar 2006 property tax refund.

That could mean about \$13 million owed by the school district, he said, adding, "but right now, it's hard to project until we have firmer numbers on it."

Commissioner Kitty Jung told a citizens advisory board on Monday that the county's bill could be \$16 million, which could mean the possibility of more county employee concessions. She also mentioned the possibility of the county raising taxes on all

property owners to payoff the bill, an idea floated by the county in a statement issued last week.

"I am not in favor of going back to our employees," Jung said. "That was some really bad news from the Supreme Court."

### **BY THE NUMBERS**

Incline Village/Crystal Bay property tax refund information:

- Estimated \$40 million total refund
- Refund for property owners of 8,700 parcels who paid taxes in 2006-2007
- Interest on unpaid refunds is about \$160,000 per month, totaling about \$4 million
- Potential Washoe County School District: \$13 million

*Source: RGJ research/Washoe County*

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