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Boulder City, Nevada revenue generating analysis

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Boulder City, Nevada
Revenue Generating Analysis
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Executive Summary

Boulder City (City) is unique in the State of Nevada as being a non-gaming city, maintaining a controlled growth ordinance, and steadfastly holding to its “small town” values and character. The City has been facing budgetary challenges as future expenditures are anticipated to continually exceed revenues if current services levels are maintained. Indeed, fiscal reviews indicate the City has been transferring contingency monies between funds to cover overages for the past several fiscal years. This “robbing Peter to pay Paul” methodology may offer a temporary solution to the shortage but may be detrimental as a long term solution.

Data collection and research of the literature revealed that when compared to the four neighboring cities in Clark County, Boulder City boasts the highest median home values and third highest median income while it continues to have the lowest property tax revenue in the State. The City continues to proudly collect less property tax from its citizens than allowable by Statute. At the same time, the City’s hospital is not offering its citizens desired services, nor does the City anticipate being able to maintain city-wide services levels at current spending levels without incurring additional debt. Additionally, due to controlled growth practices, the City does not plan new housing to create a balance in meeting the needs of families and seniors; home ownership is difficult for younger, less established families due to affordability.

The following study will offer an overview of Boulder City’s current revenue generating practices as related to its citizens’ commitment to preserving a small town status while maintaining service levels. Furthermore, the City will be compared to neighboring cities demographically, with a focus on property tax practice, controlled growth, and land management.
Introduction

This study is considerably unique. The initial focus, purpose, content, and stakeholder population was radically altered midway through the research process. Due to unforeseen changes in the interest level of the target program, the initial evaluation faced an abrupt halt and was consequently terminated. In the true spirit of academia and persistence, the focus of this project turned to a data collection and research of a different nature.

In September 2007, this research team began a Program Evaluation of the City of Las Vegas Fire Department (LVFD). The purpose of the evaluation was to determine if the existing continuing education program was effective in meeting the needs of the LVFD, the community, and the employees. Interviews were conducted and data was collected regarding the recertification process and training levels of incumbent firefighters, including a multi-jurisdictional comparison of other like fire departments in several other states.

In January 2008, the LVFD incurred multiple organizational changes, personnel reassignments and a shift in priorities. It was decided the LVFD would not be able to participate in the evaluation process. The outcome provided this research team with a valuable lesson in program evaluation and the importance of stakeholder interest and participation.

In February 2008, this research team began a new project. Media attention in the form of a newspaper article, and long standing political and academic interest, presented the opportunity to research revenue generating issues for the neighboring city of Boulder City, Nevada. In addition to presenting an overview of the current budget issues confronting Boulder City, this research may be used by future student research groups to begin the policy analysis process.

Boulder City has a current population of 15,863. The City prides itself on being able to provide its citizens with a low crime rate, high quality police and fire protection, and exceptional
recreation facilities while continuing to offer a quiet, small town atmosphere. Indeed, the City’s citizens have made clear their priorities by establishing a City Vision that focuses on preserving its unique identity as a small town while proactively addressing the needs of its residents. This includes staunch adherence to growth control, land management, and low property taxes.

Unfortunately, this municipality is experiencing an inability to maintain desired service levels at the current revenue generating levels. Since 2003, with the exception of fiscal years 2005 and 2006, general fund expenditures have been higher than revenues. The City’s most recent Budget and Fiscal Review indicates that future expenditures are anticipated to continue to exceed revenues if current services levels are maintained. Simply, the City will be unable to maintain current services levels if additional revenue is not secured.

This research purposes to examine the current revenue generating environment of Boulder City and to identify specific areas of interest for future policy analysis endeavors.

**History and Profile of the City**

Boulder City, Nevada is best known as the city that was created specifically for the construction of Hoover Dam. From 1931 to 1935, Boulder City housed over 4,000 construction workers. To accommodate these workers, one thousand five hundred buildings were built, including homes, dormitories, churches, a grade school, a theater, and a recreation hall. Upon completion of the Dam, the City became the headquarters of several government agencies, with the City being supervised and regulated by the Bureau of Reclamation. At that time, all the land in and around the City was owned by the Federal Government.

The Federal Government passed the Boulder City Act in 1958, establishing the City as an independent municipal government. Under the Act, the Federal Government turned over the
existing town site, approximately 33 square miles of land, to the residents. The City was eventually incorporated in January 4, 1960. The City Charter, which is approved by the residents, prohibits gaming. This makes Boulder City unique as the only city in Nevada where gaming is illegal.

In 1979, in response to the growth during that decade, the citizens approved a referendum and instituted a controlled growth ordinance. Due to this unique ordinance, the City limits the number of residential and hotel/motel building permits issued each year to control the rate of growth of the community. Since the inception of the controlled growth ordinance, the growth of the community has been approximately 3% per year.

The City acquired approximately 107,000 acres of land to the south and west of the original town site from the Bureau of Land Management and the Colorado River Commission in 1995. This added over 167 square miles to the City. The City purchased the land mainly to preserve it, and to ensure that it was not sold to another entity for development. Using this land for residential or industrial purposes so near to the city limits was not acceptable to Boulder City residents. With the acquisition complete, the City intends to preserve the dry lakebed for recreational purposes, and to leave the remainder of the land as an endangered species preservation area with the exception of a 3,000-acre parcel that is to be used for power generation projects.

In 1997, the citizens approved a ballot question, which provided that sale of City owned property, in excess of one acre, must be approved by registered voters in an election. The use of the proceeds of land sales is to be restricted to voter approved capital improvement projects.

The City has a Council-Manager form of government. The legislative authority is made up of a five-member City Council. The presiding officer of the Council is the Mayor. All
powers of the City, including the ability to levy a property tax on both real and personal property located within the City boundaries, are vested in the Council. The Council appoints the City’s Clerk, Attorney, Manager, and Municipal Judge. The City Manager is responsible for carrying out the policies and procedures of the City Council and operations of the City. The City provides a full range of services for its citizens to include police and fire protection, highway construction and maintenance, streets and infrastructure, recreational activities, cultural events, and utility services.

In 2000, the City adopted a Strategic Plan Vision and Guiding Principles based on information gathered from a community survey and neighborhood meetings conducted in 1996 and 1997. The vision for the City describes the community’s values and aspirations and clearly defines the culture and character of the community and its citizens. The City’s vision statement has remained relatively unchanged for the past decade:

"The community of Boulder City is committed to preserving our status as a small town, with small town charm, historic heritage, and unique identity, while proactively addressing our needs and enhancing our quality of life."

The City’s stated budget priorities include maintaining the “small town character” while having financial policies in place to ensure the ability to maintain current service levels. The fiscal priorities of the citizens and local government also stress maintaining the control of growth while fostering a balanced economy within the community. These visions, goals, and priorities reflect this community’s aspirations, self-image, and sensibilities. These are important components to respect when reviewing, addressing, and offering solutions to current issues and challenges the community may be facing.
**Data Collection and Interpretation**

This research included a thorough review of Bolder City’s annual financial reports dating back to the year 2000, as well as census data. Also reviewed were basic municipal demographics as related to the budget, such as median incomes, median property assessments, population description and growth, property tax revenues, growth management, and the City’s stated value priorities. Additionally, a comparative review was completed; the City was compared to other municipalities, based on proximity or like populations. The comparative portion of the study originally included an additional four cities from neighboring states with like characteristics and population (see Appendix IV). As several of these “small population” cities offered little or no budget information needed for a significant comparison, the information was excluded in the final comparison.

**Boulder City, Nevada**

**Demographics**

A review of demographical data indicates that Boulder City’s population has increased approximately 0.3% since the year 2000. The 2006 demographics estimated the population of Boulder City to be 15,005. Additionally, when compared to other cities in Clark County, Boulder City maintains the highest median age of 46.7 years old. This median age is the highest of all cities utilized in this comparison. Further, the median income in 2006 was $56,100, which is considerably more than the median income of Mesquite at $44,900, which has relatively the same population.
Property Taxes

A review of the 2006-07 Boulder City annual budget and financial plan indicates General Fund revenue of $20.6 million while the General Fund expenditures are $21.4 million. Property taxes account for 5.2% of the General Fund revenues. Additionally, property taxes generate $1,080,057 toward the General Fund revenue budget. Boulder City’s property tax rate is 2.4893 per $100.00 in assessed property value. For example, a property that the Clark County Assessor determines is $250,000 in value would have an assessed property tax value of 35%. The revenue generated would be based upon an assessed value of $87,500, which calculates into $2,178.00 in property tax. In comparison to other Clark County cities, Boulder City’s property tax rate is 11.2% less than Mesquite and 35.6% less than North Las Vegas. Boulder City has the lowest property tax rate in Clark County and one of the lowest in the State of Nevada. Further, the median home value in Boulder City is $357,700. Boulder City has the highest median home value of other comparable cities in Clark County.

Controlled Growth Ordinance

Boulder City citizens approved a referendum in 1979 that created a controlled growth ordinance. The ordinance is located in Boulder City Code, Title 11: Zoning and Subdivisions, Chapter 41, Controlled Growth Management Plan. (Growth Ordinance)

The purpose of this Growth Ordinance is to control the rate and distribution of residential and hotel development in any designated construction year (July thru June). Essentially, this Growth Ordinance limits building permits and growth to less than 3% per year. This is accomplished by establishing a limit to the number of allotments for annual development to 120 homes for residential and 35 hotel rooms. Additionally, developers are limited to 50% of
allotments or 60 units for two years. Further, in any given construction year, the number of low-income dwellings or dwellings for seniors are not to exceed 50 dwellings in a five-year period. These are to be exempted from the process. The Growth Ordinance does not have specific limits on industrial or commercial development.

City representatives working in Community Development report that the allotments are not met each year primarily due to lack of available land to build on in Boulder City. Additionally, the land that is privately owned for development typically has been developed into high-end homes. Currently, as noted by Boulder City Community Development, there is a limited supply of land to develop that is privately owned.

**Control Growth v. Growth Management**

A brief review of literature indicates clear distinctions between growth control and growth management. For example, growth management is defined as a plan that accommodates projected development in a manner that achieves broad public goals. Typically, there is affordable housing and inclusionary elements that are designed to lower the cost of construction as well as to broaden the types of housing choices. Growth control typically limits and rations development. Although Boulder City has labeled the ordinance as “Controlled Growth Management Plan,” clearly, by definition, it pertains solely to controlling the allowable development (Nelson & Peterman, 2000; Nelson, Pendall, Dawkins, & Knaap, 2004).

Boulder City leaders wanted to ensure this small town community was left unchanged when they pursued the purchase of 107,000 acres of land in 1995. The acquisition of the Eldorado Transfer Area added 167 square miles to Boulder City’s geographical land area. After the 1990 Clark County Commission voted to unanimously waive their first right of refusal to pursue the land, Boulder City agreed to purchase the property from the federal government,
based on a 1958 “fair market appraisal” or “fire sale price” if you will, of $12.00 per acre or $1,277,630.96. This acquisition made Boulder City the largest city in Nevada, in terms of geographical land area.

According to the Boulder City Charter, Article XV-Real Estate, Section 144, the development of the Eldorado Valley Transfer Area would be limited to utilizing the land for solar generated power plants, recreation areas, and an open space for a desert tortoise preserve. Additionally, this Article would allow Boulder City to pursue similar government uses that include existing leases and lease options.

On November 3, 1998, Section 144 was amended stating “any residential, commercial or industrial development or uses in the land area, other than the uses listed in Section 1, must be approved by the registered voters of the City (Boulder City Charter, Article XV-Real Estate, and Section 144/2)”. In 1997, Boulder City residents approved another ballot question which further restricts growth and development. This ballot question stated that Boulder City residents must approve any sale of City property in excess of one acre by election. As expected, Boulder City residents argue that leases are more beneficial to the City than land sales, noting that leases bring in a constant revenue stream while allowing the city to control the land’s future.

The Boulder City Land Management Plan includes increased leasing of city land. Currently, Boulder City has two primary leases. First, Boulder City has leased 400 acres to Solargenix solar power plant which is situated in the Energy Zone. This power plant is under construction with an expected 2008 completion. This lease generates annual payments of $100,000 during construction and $550,000 annually thereafter. The City's 50-acres lease for a Motocross Track facility is currently under construction. This Motocross lease is expected to generate and annual revenue of $70,400. The Copper Mountain Power plant lease remains on
hold. However, if approved, this Copper lease is anticipated to generate $1,050,000 in annual revenue. Further, Boulder City is pursuing additional leasing that may include communication sites. Roughly 80% of the revenue generated from these leases (in fruition) will go to the General Fund and the balance to the Capital Improvements Fund. Overall, 9.5%, or $1,970,944 of the 2007 General Fund Revenue is generated from City land leases.

**Comparative Cities**

This study compares budget, population, and other demographics of Boulder City with four neighboring Nevada cities located within Clark County: Henderson, Las Vegas, Mesquite, and North Las Vegas. Although these comparative cities vary greatly in demographics, geographical size, economics, and population, they also make for an interesting comparison due to proximity and shared State/County statutes.

**Henderson, Nevada**

The City of Henderson was incorporated in 1953 and is the second largest city in the state of Nevada. It is known for its small city values. Its vision is “to provide services & amenities that enhance the quality of life for those who live, learn, work, & plan in the City of Henderson.” The City of Henderson’s priorities include expanding Henderson’s economic and employment opportunities, preserve quality of planning and development, and ensure reinvestment in the existing community.

During the period between 2000 and 2006 Henderson experienced a population increase of 37.2%. As of 2006, according to the City of Henderson’s Community Development Department, the city’s population was 257,838 with the median age of 40.3 years old.
For fiscal year 2006, the City of Henderson’s General Fund was $211.9 Million in revenues and $209.7 Million in expenditures. The General Fund revenue includes 9.8% in property tax revenue. The General Fund received 16% of the total property taxes levied by the City of Henderson, equivalent to $38,262,370. Henderson’s property tax rate is $0.7108 per $100 of assessed valuation, which has remained steady for the past seventeen years. For example, on an assessed value of $87,500, the City of Henderson collects an estimated $2,543 on a property. With a median household value of $350,700 and a population of a median income of $63,814, the residents of Henderson pay higher property taxes than Boulder City residents.

Las Vegas, Nevada

The City of Las Vegas was established in 1905 but did not officially become a city until 1911. It is the most populous cities in the state of Nevada. The vision of this city is to have, “A vibrant, affordable, and diverse city of opportunity in which all citizens enjoy their neighborhoods, feel safe, and know they will be heard.” The City of Las Vegas prides itself on having the values of commitment, honesty, innovation, and respect.

The City of Las Vegas has had an increase in population of 15.5% since the year 2000. As of 2006 the city’s population was 552,539 with the median age of 35.2 years old. The median income in 2006 was $53,000. For the fiscal year 2006, the city had General Fund revenue of $620,652,576 and General Fund expenditures of $553,409,704. Of the General Fund revenues, $119,566,088 came from property taxes or 19.26%. The City of Las Vegas has a property tax rate of $3.2802, which means that on a property with an assessed value of $87,500, the tax revenue would be $2,870.
Of the comparative cities, the property tax revenue for the City of Las Vegas is the largest percentage of the General Fund revenue, followed closely by the City of Henderson at 16%. The City of Las Vegas also has the second highest property tax rate, the highest being North Las Vegas. Looking at the other cities it is evident that the City of Las Vegas does not have the highest median income, but they are still able to have a higher tax rate allowing them to have higher property tax revenue. In 2005, the median house value was $285,200. This places the City of Las Vegas below Boulder City and Henderson, but above Mesquite and North Las Vegas in terms of median house value.

Mesquite, Nevada

The City of Mesquite is located in southeastern Nevada on the Arizona border and consists of approximately 32 square miles within the Virgin River Valley. The City of Mesquite prides itself on its community focus, providing desired services and quality of life. The City of Mesquite has chosen to “maintain the elements of rural lifestyle, enhance and preserve a quality lifestyle, encourage growth and economic development and to provide for quality staffing.”

The City of Mesquite has been recognized as one of the fastest growing small cities in the nation. The population in this small city has increase by 57.6% from 2000 - 2006 bringing its total to 14,799 residents. The median age in Mesquite is 35.8 years old. The growth in population also means that there is an increase in service costs and there is a greater demand for services. In order to address the cost of services like public works and public safety, the city has a property tax rate of $2.7686, which generates $2,850,000 or 11% of the General Fund revenue. The total General Fund revenue for the City of Mesquite in 2006 was $22,659,392 with General Fund expenditures of $24,035,113.
On a property with an assessed value of $87,500 the City of Mesquite makes $2,422 in property tax revenue. The median house value is $276,900, almost $90,000 less than the median house value in Boulder City. With the median income for Mesquite being $44,900, the city is still able to have a higher tax rate and generate higher property tax revenue than Boulder City with a median income of $56,100.

The City of Mesquite is of similar size in terms of population to Boulder City, but the vision of each city is much different. The City of Mesquite encourages growth and economic development where as Boulder City restricts growth by having a controlled growth ordinance.

**North Las Vegas, Nevada**

The City of North Las Vegas was incorporated on May 1, 1946 with a population of 2,875 residents and a total land area of 2.5 square miles. As of 2007, the City of North Las Vegas had a population of 194,464 and comprised of more than 82.1 square miles. Mountains and desert valleys surround the City of North Las Vegas. The City of North Las Vegas priorities includes quality municipal services, economic development, and well-planned quality growth.

During the period between 2000 and 2006 City of North Las Vegas experienced a population increase of 71.1%. Within the last decade, City of North Las Vegas experienced 220% growth making it the third fastest growing city in the United States in 2007. The City of North Las Vegas’ average age population is only 28.7 years old making it one of the youngest average age in comparison to all the surround cities.

For fiscal year 2006, the City of North Las Vegas’ General Fund was $191,092,000 in revenues and $195,093,973 in expenditures. The General Fund revenue includes 11.3% in property tax revenue. The General Fund received 29.3 % of the total property taxes levied by the
City of North Las Vegas, equivalent to $68,753,000. The City of North Las Vegas’ property tax rate is $1.1687 per $100 of assessed valuation. On a property with an assessed value of $87,500 the city collects an estimated $2,953. With a median household value of $263,700 and a population of a median income of $57,242, the residents of the City of North Las Vegas pay the highest property taxes in comparison to the neighboring cities.

Observations and Conclusions

The data collection and literature review revealed several areas that may prove fruitful for future analysis focused on addressing the current budgetary challenges facing Boulder City. Most notably, the property tax revenue in Boulder City represents the smallest portion of the General Fund revenue among all the comparison cities at 5.2%, the next closest city in property tax revenues being Mesquite with a property tax revenue portion of 11%. Boulder City has the ability to increase its property tax revenues because it has the highest median property value of all neighboring cities.

There are two key issues and challenges that Boulder City leaders, policy makers and residents must contend with in the future that may contradict the City’s vision of maintaining current service levels without jeopardizing the small town character. First, the Controlled Growth and Management Plan Ordinance clearly limit Boulder City’s opportunity for residential and hotel development. A spokesperson in Boulder City’s Community Development indicated the growth control ordinance limits development to less than 2% per year. Further, the spokesperson indicated due to a shortage of developable land in Boulder City according to the Controlled Growth and Management Plan Ordinance, the number of annual allowable allotments
does not get developed. Finally, Boulder City residents continue to support non-gaming environment.

Boulder City’s economic shortfalls have more to do with the vision of the community than the ability to generate more revenue to maintain the service levels demanded by those same residents. The “small town” mentality will have to change in order to keep up with the greater demand for services and service quality. Further research on the political climate can assist government officials on how they can persuade Boulder City residents that an increase in property taxes is necessary in order to maintain the quality of life and services they have become accustomed to. Other possible areas to research are the City’s investments and interest earnings through the sweeping of funds.

On April 11, 2006, Boulder City Council approved Ordinance 1287. This ordinance became effective May 3, 2006. Essentially, this ordinance prohibits gated communities in Boulder City residential developments larger than one lot or unit (Boulder City Code, Title 11: Zoning and Subdivisions, Chapter 3, Section 10: Gated Communities Prohibited). Ironically, Boulder City has become a “gated community” due to the limited amount of developable space and the Controlled Growth Management Plan Ordinance.
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