

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS
AND THE
SENATE COMMITTEE ON FINANCE
JOINT SUBCOMMITTEE ON HIGHER EDUCATION AND CAPITAL
IMPROVEMENTS**

**Seventy-Third Session
March 4, 2005**

The Assembly Committee on Ways and Means and the Senate Committee on Finance, Joint Subcommittee on Higher Education and Capital Improvements, was called to order at 8:00 a.m., on Friday, March 4, 2005. Chairman Morse Arberry Jr. presided in Room 3137 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Mr. Morse Arberry Jr., Chairman
Ms. Chris Giunchigliani
Mr. Lynn Hettrick
Ms. Sheila Leslie
Mr. John Marvel
Mr. Richard Perkins

SENATE COMMITTEE MEMBERS PRESENT:

Senator William J. Raggio
Senator Barbara Cegavske
Senator Bernice Mathews

COMMITTEE MEMBERS EXCUSED:

Senator Bob Coffin

GUEST LEGISLATORS PRESENT:

None

STAFF MEMBERS PRESENT:

Mark Stevens, Assembly Fiscal Analyst
Steve Abba, Principal Deputy Fiscal Analyst
Gary Ghiggeri, Senate Fiscal Analyst
Tracy Raxter, Program Analyst
Connie Davis, Committee Attaché
Linda Smith, Committee Attaché

Chairman Arberry opened the hearing for the Division of Buildings and Grounds Capital Improvements Hearing.

DEPARTMENT OF ADMINISTRATION, DIVISION OF BUILDINGS AND GROUNDS
(BUDGET ACCOUNT 710-1349) BUDGET PAGE ADMIN-82

Cindy Edwards, Administrator, Division of Buildings and Grounds, identified herself for the record and introduced Patrick M. McInnis, Chief Engineer, Division of Buildings and Grounds.

Ms. Edwards advised that the Division of Buildings and Grounds, Budget Account 1349, provided the following services:

- Physical maintenance, custodial service, and security for state-owned buildings and grounds in the Carson City, Reno, and Las Vegas areas.
- Negotiated statewide agency office space leases.
- Central mail services.
- Management of the Marlette Lake water system and the Clear Creek Youth Center.

Ms. Edwards advised that Division of Buildings and Grounds' objective was to manage and maintain state-owned facilities within budget limits and provide state employees comfortable and professional office environments.

With respect to the recommendation to change the existing rental rate methodology, Ms. Edwards advised that some state agencies, occupying entire buildings, paid for total gross square footage while state agencies occupying a multi-tenant building only paid for useable square footage.

Ms. Edwards explained that the new methodology provided for agencies in multi-tenant buildings to pay for useable square footage as well as a pro-rata share of common areas. Additionally, the new methodology would provide for an equitable rent structure for all agencies allowing the Division of Buildings and Grounds to receive rental income for the maintenance and upkeep of the common areas. Ms. Edwards advised that the proposal recommended reducing the building rent rate from \$1.14 per square foot to \$0.91 to help offset costs.

In response to Chairman Arberry's request for additional information, Ms. Edwards reiterated that the methodology was changed in order to better maintain the common areas and to provide a more equitable rent structure for all state agencies leasing space.

In response to additional questions from Chairman Arberry with respect to charging for the common areas in the cost per square foot, Ms. Edwards advised that private-sector landlords usually charged an increased rental rate for common area maintenance.

Assemblyman Marvel asked for information concerning the fiscal impact of the proposal on the General Fund versus the Highway Fund.

Stephanie Phenix, Budget Analyst, Department of Administration, Budget Division, identified herself for the record and explained there would be no difference in the rent rate charged to General Fund agencies versus Highway Fund agencies.

In response to additional questions from Mr. Marvel concerning the total dollar impact to the General Fund, Ms. Phenix advised that agencies supported by the Highway Fund would be paying a little less as a result of the methodology change. Ms. Phenix explained that agencies supported by the Highway Fund had been charged more because they were paying for the entire square footage of the buildings they occupied while most state agencies, supported by the General Fund, occupied multi-tenant buildings and only paid for the space they occupied.

In response to additional questions from Mr. Marvel concerning picking up the difference, Ms. Phenix advised that calculations indicated fee-funded agencies picked up the difference as opposed to agencies supported by the General Fund.

In response to Mr. Marvel's request for a copy of the calculations, Ms. Phenix advised that the calculations had been provided to the subcommittee's staff.

Mark Stevens, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, advised that the subcommittee's staff had not seen calculations on the impact to the Highway Fund, General Fund, or fee-funded agencies for gross square footage versus net square footage.

Ms. Phenix advised that calculations would be provided to staff.

Senator Raggio commented on the proposed relocation of the Division of Parole and Probation and the Nevada Highway Patrol from current facilities in Las Vegas and questioned how the cost to maintain vacant space was allocated.

Ms. Phenix advised that the cost for vacant space was ultimately included in the rent rate determined to cover costs for the Division of Buildings and Grounds.

Chairman Arberry asked representatives of the Budget Division if an amendment was forthcoming to reflect the reduction in operating and utility costs for the space that would be vacated by the Division of Parole and Probation and the Nevada Highway Patrol.

Ms. Edwards noted that an adjustment would be required to reflect the reduction in operating and utility costs.

In response to questions Chairman Arberry asked concerning the reserve level at the end of fiscal year 2007, Ms. Phenix advised that although the reserve level would decrease as a result of 2 percent cost-of-living increases and inflationary adjustments, it was sufficient to take the Division of Buildings and Grounds through the biennium. Ms. Phenix indicated the reserve level at the end of fiscal year 2007 was projected at \$1.2 million.

Continuing her presentation, Ms. Edwards provided information on the following decision units:

- M-200 to M-201 - Building rent revenue and associated operating expenditures were requested for the new Department of Conservation and Natural Resources (DCNR) building in Carson City and the new Department of Motor Vehicles (DMV) building in North Las Vegas.
- M-425 – Deferred maintenance funds were requested to repair and seal building surfaces and fencing and sidewalk projects in Las Vegas and

Carson City. A document entitled, "Buildings and Grounds M-425 Budget Request," ([Exhibit B](#)) was distributed to the Committee. [Exhibit B](#) provided photographs of some of the needed building repair and replacement projects.

The envelope repairs included:

- ✓ repointing mortar of stone and brick buildings
- ✓ caulking windows
- ✓ trim and flashing
- ✓ roof flashing

Sidewalk repairs included:

- ✓ removing, replacing, or resurfacing concrete depending on the condition of the concrete

Ms. Edwards indicated envelope repair and maintenance projects for a total cost of \$905,000 were slated for the following facilities:

Laxalt Building, Carson City
Division of Buildings and Grounds, Carson City
Office of the Attorney General complex, Carson City
DMV complex, Carson City
Bradley Building, Las Vegas

Additionally, Ms. Edwards said Stewart facility buildings, both occupied and vacant, required repair of cracks in the stone and repointing of the mortar on native stone. Ms. Edwards advised that the repairs were required as a condition of the deed from the U. S. Department of Interior, and the estimated cost for the projects was \$2,517,000.

The Stewart facility vacant buildings were under a project for inspection and repair or replacement of buildings not covered by the existing statewide Capital Improvement Projects or requests in Decision Unit E-850 special projects.

Ms. Edwards provided the following project cost estimates:

Stewart roofing project - \$1,504,000
Capitol Complex sidewalk repair projects - \$98,000
Stewart Complex sidewalks and steam tunnel repair - \$87,000
Retaining wall at the Governor's Mansion - \$17,000

Chairman Arberry commented on the \$1.5 million projected to repair the roof for Building 17 at the Stewart Complex and asked whether the project should be included in the State Capital Improvement Program.

Ms. Edwards indicated it was her understanding that deferred maintenance projects should be requested under Decision Unit M-425 and deferred to Mr. Comeaux.

John P. Comeaux, Director, Department of Administration, identified himself for the record. Mr. Comeaux advised that the deferred maintenance roofing project for Building 17 was not a structural or technical project and was better placed in the M-425 decision unit than in a Capital Improvement Project.

In response to questions Mr. Marvel asked concerning occupancy of the Stewart facility buildings, Mr. Comeaux advised that some buildings were occupied and some were not.

In response to additional questions Mr. Marvel asked concerning plans for the unoccupied buildings, Ms. Edwards advised that representatives of the Division of Buildings and Grounds were working in conjunction with representatives of the State Public Works Board to develop a master plan for the Stewart facility. Additionally, Ms. Edwards indicated that of the 67 total buildings in the complex, 40 percent were occupied, and the vacant buildings all needed work before they could be occupied.

Chairman Arberry also noted funding was recommended for deferred building maintenance projects in the amount of \$185,000 to repair and replace concrete sidewalks at several building locations. Chairman Arberry asked why the funding for the recommended projects was requested from the General Fund instead of building rent revenue, as other building maintenance projects had been historically funded.

Mr. Comeaux advised that an inventory of deferred maintenance projects was established in order that projects could be addressed as funding became available. Additionally, Mr. Comeaux explained that rent rates for the Division of Buildings and Grounds' budget were normally established to cover the costs of their operations, including routine maintenance on buildings, but deferred maintenance was made up of projects that had accumulated over the years due to the unavailability of funds. Mr. Comeaux indicated it was for that reason maintenance projects were recommended for funding out of the General Fund and ongoing projects through rental rate revenue. Mr. Comeaux reiterated that the funding request was an attempt to address infrastructure problems not previously attended to because of budget problems over the last several biennia. Additionally, Mr. Comeaux pointed out the need for the maintenance projects could be seen from the photographs in the handout ([Exhibit B](#)).

With respect to the new budget category for tenant improvements and the request for \$91,278 in each year of the 2005-07 biennium, Chairman Arberry noted that a one-time improvement project to repair concrete stairs and walkways for \$26,915 was included in the request. In addition, other one-time projects totaling \$101,435, incurred in fiscal year 2004, were also included in the Maintenance of Buildings and Grounds' budget category. Those projects included installation of a sewer line at the DMV Galletti Way office, and erecting safety barricades and netting at the Sawyer Building in Las Vegas due to exterior tile failure. Chairman Arberry questioned why costs for one-time improvements in fiscal year 2004 were recommended for continuation in the 2005-07 budget.

Ms. Edwards explained that a category was needed to allow the Division of Buildings and Grounds to arrange for improvements at an agency's request. Using the Office of the Attorney General as an example, Ms. Edwards explained that the Attorney General requested a remodel of the Las Vegas office in the Grant Sawyer Building. Although the Office of the Attorney General had funding for the remodeling project, the Division of Buildings and Grounds did not have the authority to perform the remodel.

In response to questions Mr. Marvel asked concerning whether the subcommittee's staff had information on the number of maintenance projects

that had been identified, Ms. Edwards advised that Buildings and Grounds' staff were not aware of projects until approached by an agency.

Mr. Marvel pointed out the difficulty in finalizing budgets without essential information.

Ms. Phenix advised that staff would be provided information and reiterated that the new category was requested in order that the Division of Buildings and Grounds had authority to proceed when special requests were received from state agencies. Ms. Phenix indicated that authority would not be utilized and offsetting revenue would not be received if the projects were not performed.

In response to a question from Mr. Stevens concerning whether the cost of the requests would be built into the rent rate, Ms. Phenix advised that the costs were for extra services that would be charged to the agencies and would not be built into the rent rate.

Chairman Arberry asked if rent and operating expenses would be adjusted to reflect the delayed completion of the Department of Motor Vehicles building in North Las Vegas, originally scheduled for completion by October 1, 2005, and currently projected for completion in April 2006.

Ms. Edwards indicated she would confer with representatives of the State Public Works Board.

Senator Raggio also expressed concern that the budget reflected a nine-month operating expense for a facility not scheduled to open until 2006, and indicated an adjustment would be required.

Ms. Edwards agreed an adjustment would be required, which she said would be provided to staff.

Chairman Arberry closed the hearing on Budget Account 1349, Buildings and Grounds, and opened the hearing on Budget Account 1353, Clear Creek Youth Center.

DEPARTMENT OF ADMINISTRATION, CLEAR CREEK YOUTH CENTER (BUDGET ACCOUNT 101-1353) BUDGET PAGE ADMIN-102

Cindy Edwards, Administrator, Division of Buildings and Grounds, identified herself for the record.

Ms. Edwards provided the following information for the Clear Creek Youth Center budget:

- The facility was currently in "mothball" status and was not being utilized.
- Funding was requested to provide minimal maintenance to the buildings to ensure the prevention of further deterioration and to keep the grounds free from fire hazards.
- The Division of Buildings and Grounds was in the process of preparing a Request for Proposal (RFP) to determine "the viability of having an outside vendor operate and maintain the facility on a long-term basis." The RFP process was expected to be completed by January 2006.

- The budget requested the elimination of the full-time director position and funding for two seasonal grounds worker positions for six months per fiscal year.

Senator Raggio recalled discussion concerning the sale of the property during the 2003 Legislative Session followed by a legislative decision to retain it. Additionally, he indicated that previously approved funding of \$1,563,608 for a Capital Improvement Project to address deferred maintenance and general improvements had gone unused, and a proposal to transfer a portion of that funding for the Sawyer Building exterior tile removal project was rejected by the Interim Finance Committee. Senator Raggio questioned why none of the deferred maintenance projects had been addressed.

While the property had been effectively used over the years, and there appeared to be a sentimental attachment in retaining it, Senator Raggio indicated the decision to sell should be reconsidered since it would take “a tremendous amount of money” to restore the buildings.

Additionally, Senator Raggio questioned the length of time needed to complete the RFP.

Ms. Edwards advised that approximately \$200,000 of the funding approved in 2001 had been used to address some of the deferred maintenance projects and indicated a detailed breakdown of how the funding had been spent would be provided to the Subcommittee’s staff.

Ms. Edwards explained that a number of entities were involved in the RFP process, which normally took four to six months. The lengthy process would help to ensure that the long-term lease agreement included the appropriate language to address any operating and maintenance issues that might develop. Additionally, Ms. Edwards indicated that if development for the Clear Creek area was approved, an easement for a road through the camp would provide superior accessibility.

In response to additional questions from Senator Raggio concerning the RFP, Ms. Edwards advised that Division staff, in conjunction with Purchasing Division staff, were to begin working on the RFP within the next several days.

It was Assemblyman Hettrick’s opinion the potential Clear Creek subdivision would be litigated for years as a result of opposition by area residents and other organized Douglas County groups. Rather than going through the lengthy RFP process, Mr. Hettrick asked if it would be possible to issue “a type of RFP” to determine whether there was any interest in buying or selling the property for the cost of maintenance. If interest was generated, negotiations could ensue to develop either an appropriate lease or sales agreement. Mr. Hettrick indicated that time and the elements were destroying the buildings and if too much time elapsed, the land would be all that remained.

Ms. Edwards agreed to discuss issuing a Request for Quote (RFQ) with a representative of the Attorney General’s Office.

Senator Mathews expressed her fondness and Senator Jacobsen’s attachment to the site, but also expressed dismay that the facilities had been deteriorating for the past ten years while funding approved to address the problems had been put on hold. Senator Mathews did not support selling the property.

In response to a question from Senator Mathews, Ms. Edwards advised that there was staff on site who rented three of the residences.

In response to questions Ms. Giunchigliani asked concerning the RFP process, Mr. Comeaux provided the following information:

- The Purchasing Division provided about 15 staff to assist state agencies in developing Request for Proposals.
- RFP development was a four-month process.
- Most state agencies, with the exception of the Department of Information Technology, developed RFPs through the Purchasing Division.

Mr. Comeaux also commented on the sentimental attachment to the facility and the fact that the infrastructure was in disrepair because the property had not been well managed. Although several hundred thousand dollars had been spent in the last year on roofing projects, Mr. Comeaux indicated that not much had been done since there was no clear vision of what was to be done with the property. Mr. Comeaux indicated that a reasonable offer to operate and maintain the property on a long-term basis would be a good option and would not preclude selling it.

While a similar situation existed at the Stewart facility, Mr. Comeaux advised that a master plan was being developed which would:

- Identify the buildings that could be used
- Project the cost to rehabilitate the buildings that could be used
- Determine what was to be done with buildings that could not be used

In response to questions Mr. Marvel asked concerning interest expressed by Right of Passage (ROP), Mr. Comeaux advised that ROP had used the Clear Creek Youth Center on a day-use basis for their educational program. However, residents objected to expansion into a ROP residential facility.

Mr. Marvel recalled interest had been expressed during the 2003 Legislative Session by Future Farmers of America, which he supported.

Mr. Comeaux indicated there had been many organizations over the years that had expressed interest until they determined the property needed too much work.

Senator Mathews suggested providing some of the state surplus funds to repair the infrastructure and rename it the Lawrence Jacobsen Clear Creek Youth Center.

Senator Raggio indicated the Legislature and the Executive Branch were equally to blame for not providing clear direction on what to do with the facility. Without a firm grasp of whether it would take \$5 million or \$25 million to repair the infrastructure, Senator Raggio asked the Public Works Board to quickly develop realistic numbers that would assist in making a determination on the cost-effectiveness of a revitalization project.

Daniel K. O'Brien, P.E., Manager, State Public Works Board, indicated the information would be provided.

In response to questions from Mr. Hettrick, Ms. Edwards advised that the Clear Creek Youth Center encompassed a total of 120 acres, with 80 acres on one side of the highway and 40 unusable acres on the other side of the highway.

In response to questions from Mr. Hettrick, Pat McInnis, Chief Engineer, Division of Buildings and Grounds, identified himself for the record. Mr. McInnis explained that the site on the north side of Highway 50 was steeply inclined with no access from the road.

Mr. Hettrick advised that the 80 useable acres on the south side of the highway was a beautiful and valuable property for development. Mr. Hettrick agreed that a determination was needed on the value, as well as utilization of the buildings on the property.

Ms. Giunchigliani expressed concern with respect to residential development of the area and questioned the zoning requirements.

Mr. McInnis advised that the property was currently zoned agricultural, and a plan would be required before the zoning requirements could be changed.

Ms. Edwards asked if the Division of Buildings and Grounds should proceed with the RFP in "a more timely manner" or proceed with a Request for Quotes.

It was the consensus of the subcommittee to proceed with both.

Chairman Arberry asked the Division of Buildings and Grounds' representatives to work with the Subcommittee's staff on the requests.

Chairman Arberry closed the hearing on Budget Account 101-1353 and opened the hearing on Budget Account 712-1366, Marlette Lake.

DEPARTMENT OF ADMINISTRATION, MARLETTE LAKE (BUDGET ACCOUNT 712-1366) BUDGET PAGE ADMIN-106

Cindy Edwards, Administrator, Division of Buildings and Grounds, provided the following major objectives for the Marlette Lake Water System:

- Preserve and protect the sources of water
- Provide adequate supplies of water
- Improve the watershed
- Maintain the system
- Sell the water at equitable rates

Ms. Edwards provided information on funding requested in the following decision units:

- Decision Unit M-425, Deferred Facilities Maintenance, requested funding to replace the roof and septic line at the Lakeview House.
- Decision Unit E-250, Working Environment and Wage, requested a full-time equivalent (FTE) Water System Operator supported by 75 percent funding from Budget Account 1366 and 25 percent from Budget Account 1349. The position would serve a dual role operating the Marlette Lake Water System and the Stewart Facility Water Treatment Plant. Both facilities operated on a non-stop 24-hour operation basis. Currently, operations were conducted by a full-time licensed

operator and a nine-month seasonal employee. The new position would replace the seasonal employee and would provide two licensed operators for the System.

- Decision Unit E-710, Replacement Equipment, requested funding to replace:
 - ✓ a 1992 truck with over 100,000 miles
 - ✓ a 1980 backhoe with over 20,000 hours use
- Decision Unit E-900, Transfers, recommended transferring pass-through revenue and expenditure authority for treated water sales to state agencies from the Marlette Lake Water System, Budget Account 1366, to the Buildings and Grounds Division, Budget Account 1349.

Ms. Edwards explained that the Carson City Utilities Department provided treated water to all state-owned buildings in Carson City, and the revenue from sales would be more appropriately reflected in the Buildings and Grounds Division account where other building utility costs were budgeted.

Chairman Arberry asked if there were plans to modernize the Marlette Lake Water System, and, if so, whether there would be an impact on the operating budget.

Pat McInnis, Chief Engineer, Division of Buildings and Ground, advised that existing pipelines were currently being enhanced with equipment that would allow for monitoring and the remote control of water going to Carson City and Virginia City. Additionally, Division representatives were working with the Carson Valley Subconservancy District and the Carson City Utilities Department to install a permanent pumping station at Marlette Lake and to upgrade the delivery system.

Mr. McInnis discussed a current bill draft request (BDR) to authorize the issuance of general obligation bonds that would pay for the reconstruction of the system. The bonds would be paid for by revenues generated from sale of the water to Carson City and Virginia City. Additionally, an engineering study was being conducted to determine the condition of the pipelines to the tanks at the top of the 130-year-old siphon.

Mr. Hettrick advised that the interim Legislative Committee for the Review and Oversight of the Tahoe Regional Planning Agency and the Marlette Lake Water System, for which he served as Chairman, voted for the introduction of BDR 27-309. Assembly Bill 49, which had been introduced and was being heard in the Assembly Committee on Government Affairs, would allow for the issuance of bonds to finance improving the Marlette Lake Water System using the existing revenue stream.

Mr. Hettrick expressed support for A.B. 49 with respect to issues that included:

- Providing access to 3,000 acre-feet of state-owned water
- Assuring the provision of water to Carson City and Virginia City
- Maintaining Virginia City's only water source

Mr. Hettrick advised that during a tour in 2004, it was noted that a diesel pump had been placed on railroad ties with a fuel truck located just behind the pump. While plans were underway to convert the diesel pump to a natural gas utility

that would be buried, Mr. Hettrick pointed out that an accident involving a leak, a breakdown, or motor failure would drop oil into the lake, which was being used as a fish hatchery. The buried utility would safeguard the lake and would not require an employee to provide 24-hours-a-day coverage.

In response to a question from Mr. Marvel concerning water loss, Mr. McInnis advised that not much of a loss was being experienced although in the spring runoff, water ran over the dams and at times had to be “dumped” into tanks. Additionally, Mr. McInnis advised that Virginia City had replaced their side of the siphon to their treatment plant with a new pipe. The abandonment of Virginia City’s dirt-lined reservoir had also decreased water loss.

In response to Mr. Marvel’s inquiry concerning the pipeline to Carson City, Mr. McInnis reported the pipeline was in good condition and a hole that occurred during fire suppression work was repaired the same day. Mr. McInnis pointed out that the pipeline was too small to take what could be delivered during capacity, and Carson City would eventually need additional pipe continuing down the hill to make full use of the water that could be delivered.

Chairman Arberry closed the hearing on Budget Account 712-1366 and opened the hearing on Budget Account 101-1560, Public Works Administration.

DEPARTMENT OF ADMINISTRATION, PUBLIC WORKS ADMINISTRATION
(BUDGET ACCOUNT 101-1560) BUDGET PAGE ADMINISTRATION-112

Daniel K. O’Brien, P.E., Manager, State Public Works Board, identified himself for the record and introduced Evan Dale, Deputy Manager, Administration and Finance, State Public Works Board, and Chris Chimits, Chief of Design, State Public Works Board.

Mr. O’Brien provided the following general overview of Budget Account 101-1560, Public Works Administration:

Budget Account 101-1560, Public Works Administration, was supported by the General Fund and included six full-time classified employees and three unclassified employees. The Facilities Condition Analysis section included three classified employees who were responsible for conducting ongoing inspection of state facilities. Mr. O’Brien advised that the Facilities Condition Analysis section had evolved to significantly affect development of the Capital Improvement Program and maintenance requests as well as a new Decision Unit M-425, Facility Maintenance.

The Facilities Condition Analysis staff identified 2,500 buildings containing approximately 20 million square feet of space owned by the state of Nevada. Of that number, approximately 300 buildings were owned by or were under the control of the University and Community College System of Nevada (UCCSN), 300 were Nevada Department of Transportation (NDOT) buildings, and two were Legislative Counsel Bureau buildings, which were not under the purview of the State Public Works Board.

Of the 1,800 buildings that required Public Works Board inspection, the Facilities Condition Analysis staff, to date, had prepared audit reports on approximately 1,600 buildings. Inspection of the remaining buildings was planned to be completed during the first year of the biennium and re-inspection of facilities inspected between six and eight years ago would also be initiated.

During the course of the budget process preparation, Mr. O'Brien said the Facilities Condition Analysis staff supported the Budget Division, and other agencies, in developing the M-425 Decision Unit with budget instructions, budget requests, and overall review. Additionally, the Facilities Condition Analysis staff supported the Risk Management Division with a central database containing State facility information for Risk Management's insurance replacement cost determinations. The Facilities Condition Analysis staff also coordinated maintenance education seminars for State and other public entities. The seminars included education on increasing the life expectancy of equipment that included chemical, safety, indoor air quality, boiler and chiller startup and shutdown, heating, ventilation and air conditioning, and water treatment. Currently, the Facilities Condition Analysis staff provided support to the Buildings and Grounds Division, who had taken over the responsibility of providing maintenance education.

The Facilities Condition Analysis staff had also been directed by the Governor and the Attorney General to review facilities constructed over the last ten years for potential latent defects prior to the expiration of the statute of limitations.

In response to questions Chairman Arberry asked concerning the funding request for a videoconferencing system, Evan Dale, Deputy Manager, Administration and Finance, State Public Works Board, advised that the videoconferencing system had been moved from the Public Works Administration Budget Account 1560 into the Information Technology Investment Budget Account 1325. Funding was requested for a videoconferencing system for the Las Vegas and Carson City Public Works Board offices. The system would provide the ability to conduct Public Works Board meetings via videoconferencing and allow other experts in the north and south to communicate and review sets of plans without the need to travel.

Chairman Arberry questioned why The Executive Budget did not reflect a reduction in travel costs related to utilizing the videoconferencing system.

In response, Mr. O'Brien explained that the videoconferencing system would be convenient to contractors, architects, and engineers, who would not need to travel to Carson City for a Public Works Board meeting. In the past the Legislative Counsel Bureau and other agencies' facilities had been utilized as their schedules permitted. While a reduction in travel costs for staff was anticipated, Mr. O'Brien said the amount could not be calculated since a need to travel to various sites for project meetings would continue.

While a reduction in travel costs was likely, Mr. Dale anticipated reduced employee compensation time would be more significant considering the difficulty in allowing project managers to be away from a project. Mr. Dale recalled that \$60,000 in accrued compensation time was paid to project managers in fiscal year 2004.

Assemblywoman Giunchigliani suggested incorporating the number of hours of compensation time into a performance standard. For discussion purposes, Ms. Giunchigliani asked Public Works Board representatives to work with the Subcommittee's staff on perhaps reducing agency travel by 75 percent or 50 percent with the remainder placed in a reserve account that could be accessed if needed.

Mr. Dale agreed to work with the Subcommittee's staff concerning Ms. Giunchigliani's request.

In response to questions Chairman Arberry asked concerning the funding request for an electronic storage system, Mr. Dale advised that Decision Unit E-277 recommended funding for an electronic storage system that would provide the ability to scan building plans and specifications documents to a secure server accessible by anyone who was granted access. Due to limited storage capacity, Mr. Dale advised that paper plans and specifications were no longer accepted for filing.

Mr. Dale explained that an electronic storage system would provide the ability, through the use of a personal computer, to view plans in a Tagged Image File Format (TIFF) and to even take measurements from the image on the screen. Plans would be indexed making retrieval quick and efficient. In the event of an emergency, the system would allow first responders with a laptop computer and access to the web to instantly access building plans. Mr. Dale explained that the Division of Emergency Management also had plans to pursue a similar electronic storage system, and the two agencies planned to work together. At some point in the future, Mr. Dale indicated the possibility of totally eliminating paper storage of plans and specification documents.

Considering the need for the proposal was driven by the number of documents related to capital improvement projects, Chairman Arberry asked why the recommended funding did not include project management and inspection fees assessed to those projects.

Mr. Dale explained that it was determined that fees associated with the management and inspection of current projects could not be used to pay for storage of documents associated with past projects.

In response to additional questions from Chairman Arberry concerning fees for current projects, Mr. Dale advised that a set of "as built documents" developed at the end of a project would be scanned into the system for a small fee that would be assessed to specific projects. In future years, however, Mr. Dale indicated an ongoing storage fee, reflected in the \$80,000 funding recommendation for each year of the 2005-07 biennium, would be paid out of Budget Account 1560.

In response to a question from Assemblyman Perkins concerning access to the stored documents, Mr. Dale advised that accessibility to the system would be provided only to those who had been granted access by the State Public Works Board or the Division of Emergency Management. Mr. Dale further advised that the state would control who had access, which documents could be accessed, and the length of time granted for access.

In response to an additional question from Mr. Perkins concerning access, Mr. Dale advised that not just anyone would be able to log onto the system and that it would be a violation of state law to grant unlimited access.

In response to questions Ms. Giunchigliani asked concerning an interface with local governments' public works systems, Mr. Dale advised that while he was not aware of all the local government systems, access to the records could be granted to any local government. If, for example, plans for a certain building, or a building under construction were requested, access could be granted in a "matter of minutes."

Ms. Giunchigliani commented that the system might help avoid a negative impact on local and state government projects that had some overlap.

Mr. Dale indicated it was his understanding the state would be taking a lead with the technology, and if successful, perhaps local governments would also incorporate the system for their use.

Mr. O'Brien also indicated that local governments would have access to plans and specifications through emergency responders while public works departments, or city engineers could request access to plans, which could be printed on their own plotter equipment.

Chairman Arberry closed the hearing on the Public Works Administration, Budget Account 1560, and opened the hearing on the Public Works Inspection Budget Account.

DEPARTMENT OF ADMINISTRATION, PUBLIC WORKS INSPECTION (BUDGET ACCOUNT 401-1562) BUDGET PAGE ADMINISTRATION-118

Daniel K. O'Brien, P.E., Manager, State Public Works Board, provided an overview of the Public Works Inspection, Budget Account 401-1562, which included 51 full-time classified employees and was supported "through assessments to the projects included in the Capital Improvement Program (CIP)."

Mr. O'Brien advised that the proposed "record-setting" \$321 million Capital Improvement Program for the 2005-07 biennium was the largest in the state's history, and an even more significant Capital Improvement Program was predicted for the following biennium.

Mr. O'Brien recalled having made a commitment to the Subcommittee four years ago to develop a better method of calculating the agency's workload and a more realistic method of calculating project management and inspection fees rather than continuing to use the "unsubstantiated" logarithmic formula. Having accomplished the goal, Mr. O'Brien advised that for the first time the number of hours needed for each project was projected based on size, and the hourly rate charge was determined based on overhead and efficiency of the projected manpower needs of the agency to carry out the Capital Improvement Program.

Mr. O'Brien credited Evan Dale, Deputy Manager, Administration and Finance, State Public Works Board; Chris Chimits, Chief of Design, State Public Works Board; Gus Nunez, Deputy Manager, Professional Services, State Public Works Board; and Craig Marshall, Project Manager, State Public Works Board, for their work during the last year to develop a staffing method similar to one used by engineering and architectural offices. Mr. O'Brien advised that all members of the project management staff were now required to log all hours worked on a project, which would allow for an evaluation of the man-hour projections for future projects.

Mr. O'Brien explained that although staffing needs and projections had been determined when the budget process began, the manpower evaluation had not yet been completed. With recent completion of the evaluation of manpower, Decision Unit E-253 had been submitted requesting additional staff, which would provide the Public Works Board the ability to complete the CIP projects in a more efficient and reasonable time frame. With limited time to complete some projects, Mr. O'Brien advised it was determined that the proposed Capital

Improvement Program, and the projects already approved in past programs, would require three additional project managers and four additional building inspectors. While the project managers would be divided between the north and south offices as needed, all the inspectors would be located in the southern Nevada office due to the number of southern Nevada projects. Mr. O'Brien indicated the additional staff would provide the necessary management time and successful accomplishment of the Capital Improvement Program in the "shortest and most efficient time frames" and at the same time would reduce project cost escalations.

With respect to the Public Works Board Inspection budget and testimony indicating a record setting Capital Improvement Program, Senator Raggio asked whether there was any assurance that the positions, if approved, would provide the level of supervisory authority needed over the projects.

Mr. O'Brien advised that extended project management services, provided by a firm hired for some of the more significant projects, were funded from project budgets. The firms that were hired provided project management services during an entire construction period, including oversight for change orders, construction schedules, and advice to Public Works Board staff. The University of Nevada, Reno, Knowledge Center, and the University of Nevada, Las Vegas, Science, Engineering and Technology Building, were examples of projects that would require extended project management services.

If approved, Mr. O'Brien indicated that the adequate number of inspection staff for projects in the \$15 million and below range would allow project managers to monitor construction projects without the need to reduce the number of hours spent when additional work was assumed. Mr. O'Brien again acknowledged the work of Chris Chimits, Craig Marshall, and Gus Nunez, who projected the workload of each project manager to specific projects in order to determine what could be accomplished. The Subcommittee's staff had been provided with an overview of the projected schedule, and Mr. O'Brien indicated PWB staff would continue to work with them. Mr. O'Brien pointed out that while the number of man-hours related to a project could not be provided in the past, any request for additional staff could now be justified.

Mr. O'Brien also mentioned that the request for additional staff would not change the fees in the Capital Improvement Program since fees were based on "the amount of effort" that would be put into the projects, whether it was two and a half years or four and a half years.

Chairman Arberry asked the agency representatives to comment on the workload level per project manager position that the agency considered an acceptable level.

Mr. O'Brien advised that Public Works Board staff would work with the Subcommittee's staff to provide the information on the workload level per project manager.

Chairman Arberry requested additional information on Decision Unit E-225.

Evan Dale, Deputy Manager, Administration and Finance, State Public Works Board, advised that Decision Unit E-225 recommended allowing the State Public Works Board to accept and use fees from state agencies to pay for contracted plan review services on non-CIP projects. The current method provided that state agencies, managing their own construction projects, funded the cost for

plan review and were advised by the Public Works Board to prepare checks for four or five plan consultants as well as to the Public Works Board for services associated with plan checking and inspection. Mr. Dale indicated the process created confusion between the consultants, the originating state agency, and the Public Works Board. The recommendation, if approved, would improve the Public Works Board ability to manage non-CIP projects plan check and inspection.

Chairman Arberry asked how the recommendation would assist the Public Works Board in performing its statutory duties and responsibilities.

Mr. Dale responded that the Public Works Board's duties and responsibilities would not be affected by Decision Unit E-225, but the Public Works Board had a duty and responsibility to plan check and inspect projects, which they had been doing and would continue to do. Mr. Dale advised that the recommendation, if approved, would alleviate some of the bureaucracy and burden associated with administering non-CIP projects under the purview of the Public Works Board.

Chairman Arberry asked the agency representatives to comment on the plan reviews currently performed in-house versus those being outsourced.

Mr. O'Brien advised that the State Public Works Board currently conducted in-house site and civil plan reviews as well as plan reviews that complied with the Americans with Disabilities Act (ADA) while structural, mechanical, and electrical plan reviews were contracted to private-sector consultants. Mr. O'Brien explained that the Public Works Board primary mission was to complete the Capital Improvement Program and project managers did not have the time to conduct plan reviews for agency projects. Additionally, Mr. O'Brien advised that the Public Works Board had authority under the provisions of *Nevada Revised Statutes* to accept money from school districts for construction project plan review but not from state agencies.

Chairman Arberry asked agency representatives to comment on Decision Unit E-251, funding for additional staff training, which, if approved, would increase funding already provided by an average of 92 percent for fiscal year 2006 and fiscal year 2007.

Mr. Dale explained that the base budget for staff training had been established at a minimum amount for inspectors to maintain certification and was too low for the training required to manage projects. Training included inspection for pavement and pavement maintenance, Americans with Disabilities Act, indoor air quality and certification, concrete testing and inspection, uniform mechanical code, uniform plumbing code, and national electrical code. Mr. Dale pointed out that previously funding for indoor air quality training was included in the S-06 Indoor Air Quality Project but had been placed in Budget Account 401-1562, Public Works Inspection.

In response to questions from Assemblyman Marvel related to turnover and training, Mr. O'Brien indicated a low turnover rate for inspectors and project managers. Although staff occasionally was hired away by other entities after having been trained at the state level, Mr. O'Brien indicated most employees stayed.

Chairman Arberry questioned Decision Unit E-252, which recommended funding to lease a copy machine and cell phones for an additional 18 employees.

Chairman Arberry asked the agency representatives to elaborate on the number of current employees provided cell phones and the benefits expected from providing 18 additional employees with cell phones.

Mr. Dale advised that inspection staff, project managers, and some project management staff were equipped with Nextel cell phones with a walkie talkie feature and, in some cases, cell phones as well. If the recommendation for 18 additional cell phones was approved, Mr. Dale explained the phones would be provided to project managers and project coordinators. As previously discussed, project management staff were spending more time in the field in order to gain better oversight. However, problems occurred when they could not be immediately reached, and it was determined that communication with staff in the field needed to be improved.

In response to questions from Mr. Marvel concerning the bidding process, Mr. O'Brien advised that "qualification of bidders" was being used as a tool to disqualify contractors with a past history of poor performance. Although 95 percent of the general contractors normally qualified, the process also provided that even during construction, a contractor could be told that qualification would not occur in the future if poor performance problems were not resolved.

In response to comments from Mr. Marvel concerning contractors who made it through the process but performed poorly on the job, Mr. O'Brien reiterated that the bidders' process would prevent a contractor who performed poorly on the job from qualifying again. Additionally, Mr. O'Brien advised that information concerning problems with contractors was solicited from other entities. Other problems mentioned included contractor performance appearing to drop off toward the end of a project, or "punch lists" and warranty items were neglected, which Mr. O'Brien advised were issues monitored by Public Works Board staff and used as criteria in the qualification of bidders.

In response to questions from Assemblyman Perkins concerning extended management services, Mr. O'Brien reiterated that two projects, the University of Nevada, Las Vegas, Science, Engineering, and Technology building, and the University of Nevada, Reno, Knowledge Center, were projects that had been assigned extended project management services that would be provided through private-sector companies. Mr. O'Brien advised that both projects had been designed and were ready for the bid, and the private-sector project managers were already working with the designers, the University and Community College System, and the Public Works Board staff.

In response to additional questions from Mr. Perkins concerning building the cost of the services into the project budgets, Mr. O'Brien advised that the cost would be built into the budgets of the larger Capital Improvement Program projects. However, Mr. O'Brien pointed out the projects would continue to require Public Works Board oversight. Mr. O'Brien explained that providing extended project management services depended on the size of a project.

It was Mr. Perkins' opinion that a budget component for extended management services based on square footage should be more vigorously pursued.

Assemblywoman Giunchigliani expressed her agreement with Mr. Perkins' comments concerning extended project management services and questioned whether the Public Works Board monitored prevailing wage rates for public works projects.

Mr. Dale advised that the Public Works Board staff monitored wages paid to project workers and compared those wages to the prevailing rate. Additionally, Mr. Dale advised that staff investigated any claims submitted to the Labor Commissioner's office.

In response to additional questions from Ms. Giunchigliani concerning prevailing wages and non-competitive bidding, Mr. Dale explained that under current provisions of the law, contracts valued at under \$100,000 were exempt from the prevailing wage rate. Additionally, the Public Works Board was required to solicit at least one bid for projects valued up to \$25,000 and more than one bid for projects valued between \$25,000 and \$100,000.

Ms. Giunchigliani questioned the violation of state law with respect to the University and Community College System's failure to bid projects under the Energy Retrofit Program.

Mr. O'Brien advised that the UCCSN Energy Retrofit Program was not under the purview of the Public Works Board, but that a complaint filed through the Office of the Attorney General had initially prompted a state audit to determine whether energy retrofit and other capital construction projects and contracting and bidding procedures were carried out in accordance with laws, policies, and appropriate management standards.

Mr. O'Brien clarified that new or remodeling projects on state land would be subject to plan checks and inspection by the Public Works Board, but oversight was not provided for the contracting process.

In response to questions Ms. Giunchigliani asked concerning other state agency retrofit programs, Mr. O'Brien recalled that approximately five years ago some retrofitting of lighting had occurred for some state buildings.

In response to questions from Ms. Giunchigliani with respect to whether a budget category was required for energy savings programs, Mr. O'Brien indicated such a category would fall under the maintenance of the existing facility, whether it was a building under the purview of the Division of Buildings and Grounds or whether it was an agency that maintained their own building.

In response to additional questions from Ms. Giunchigliani concerning the bidding process, Mr. Dale explained that some of the UCCSN construction projects were not paid for with state appropriated funds, and were not considered Public Works Board projects. Only those projects paid for with state funding and subject to the provisions of *Nevada Revised Statutes* (NRS) Chapter 338, were considered Public Works Board projects.

Ms. Giunchigliani pointed out that as Assemblyman Marvel and the Legislative Commission's Audit Subcommittee found, most of the UCCSN energy projects were for deferred maintenance, and funding was inappropriately used.

Mr. Marvel advised that the Legislative Audit for the UCCSN Capital Construction Projects and Contracting and Bidding Procedures revealed misinterpretations of law concerning whether a project was maintenance or a public work, and "clarifying legislation was required to help ensure an accurate and consistent application of the statutory provision."

Mr. O'Brien reiterated earlier testimony that construction projects on state property were subject to Public Works Board oversight.

Ms. Giunchigliani agreed that Public Works Board oversight was required on all state projects and called attention to the lack of oversight on two UCCSN retrofit projects that increased in cost by more than \$500,000 each.

Mr. Marvel pointed out that the Legislative Audit also revealed that there appeared to be no savings at all in the energy retrofit program.

Chairman Arberry closed the hearing on the Public Works Inspection Budget Account 401-1562 and opened the hearing on the Bond Interest and Redemption Budget Account 395-1082.

ELECTED OFFICIALS, BOND INTEREST AND REDEMPTION (BUDGET ACCOUNT 395-1082) BUDGET PAGE ELECTED-155

Robin Reedy, Deputy of Debt Management, Office of the State Treasurer, identified herself for the record. With respect to Budget Account 395-1082, debt issuance and the state's ratings, Ms. Reedy provided the following information:

- Nevada bonds were currently rated "AA + " (Fitch IBCA), "AA" (Standard and Poors Ratings Services), and "Aa2" (Moody's Investor Service).
- Rating agencies evaluated financial, economic, debt and administrative management factors in order to reach a rating decision.
- ✓ Financial factors included a review of actual fiscal performance versus planned budget performance.
- ✓ Economic factors related to the analysis of the economic strength of the tax base, which was reflected in employment and income. Economic vitality and an adequate tax structure were key determinants in the ability to repay debt.
- ✓ Debt factors were evaluated through the state's ability to effectively plan and implement programs for capital improvements.
- ✓ Administrative/Management factors were demonstrated by the willingness to make hard decisions, development of financial policies, and the reliability and continuity of accounting and financial information, key elements supporting "the expectation the state would continue its practice of taking action either on the revenue or expense front while still maintaining adequate service and reserve levels."
- ✓ The proposed CIP plan and the coinciding debt capacity report took into account the \$0.16 cents currently assessed to pay for debt service.

Ms. Reedy advised that Question 1, a \$200 million proposal to issue Natural Resource bonds passed by the voters in the 2002 general election, also created an increase to the currently assessed \$0.16 ad valorem tax rate. In her testimony, during the 2003 Legislative hearings, Ms. Reedy projected the need based on estimated issuances assessing \$0.02 during the 2005 Legislative Session to cover the projected debt. The projection relied on estimates of issuing over \$160 million in General Obligation Bonds during the last biennium

to fund Question 1 projects. However, Ms. Reedy advised the actual issuance, over the last biennium, was just over \$100 million. Once the most recent issuance was actually sold, Ms. Reedy indicated she would be able to more accurately project the assessment needed to fund the next biennium's debt service.

Ms. Reedy advised that the Office of the Treasurer was working to structure the issuance to maintain the assessment at \$0.01 rather than the increase previously projected. Ms. Reedy pointed out the estimates would continually be adjusted during future legislative sessions, depending on the actual debt service, once bonds for Question 1 were issued.

Ms. Reedy referenced the "State of Nevada Debt Capacity Report" ([Exhibit C](#)), and provided the following information:

- Page 1 reflected the 2006-2007 Capital Improvement Program recommendations, prepared by the Department of Administration.
- Page 2 illustrated the underlying assumptions used to compute the report.
- Page 3 provided the Department of Taxation's historical forecast of assessed valuations.
- Page 4 reflected a summary of the Debt Capacity Report.
- Page 5 reflected Debt Service for Existing General Obligation Debt Paid with Property Taxes.
- Page 6 reflected a comparison of existing and projected debt to the fiscal year's taxes with the balance reflected as a percentage of the following year's debt service and as a percentage of the next six month's debt service.
- Pages 7-19 reflected estimated schedules for existing authorizations of debt and the proposed future authorization.
- Pages 20-21 reflected a comparison of the outstanding and future debt to the state's 2 percent debt capacity limitation under the *Constitution*.
- Page 22 reflected a summary and described in greater detail factors used by rating agencies to analyze credit ratings.

Ms. Reedy advised that the Treasurer's Office was currently working on a refunding issue of close to \$1 billion, which included Capital Improvement bonds, University bonds, Colorado River Commission bonds, and various tax exempt issues. The savings would total approximately tens of millions of dollars if rates remained at current levels until sold.

Assemblyman Marvel noted that the Department of Taxation's assessed valuation forecasts for fiscal year 2006 and fiscal year 2007 differed from those used by the Treasurer's Office.

Ms. Reedy indicated she would review the forecasts for errors, however, advised that information on assessed valuation forecasts was received from the Department of Taxation.

Despite the Department of Taxation's projections, Senator Raggio indicated the legislative committees were analyzing the potential for limiting the percentage of assessed valuation, which would dramatically change the presentation in front of the Subcommittee. For example, Senator Raggio pointed out a proposal to cap assessments at 6 percent had been built on much higher expectations for assessed value.

Ms. Reedy agreed the proposal to cap assessments at 6 percent was built on higher expectations in the short term, but indicated there were too many possibilities to provide an accurate accounting.

Assuming assessed values were limited to 6 percent, Senator Raggio indicated the Subcommittee would need to know whether the projected \$0.16 cents property tax rate fit within anticipated collections and whether there were any other limits. Senator Raggio asked the Treasurer's Office representatives to work with the Fiscal Division's tax experts to determine the impact of a 6 percent limit.

Ms. Reedy advised that at the direction of State Treasurer Brian Krolicki, staff had informally reviewed the 6 percent option and determined that depending upon when a 6 percent limit went into effect, there would be an impact in fiscal years 2007 and 2008, but not beyond.

Senator Raggio indicated it was his understanding that immediate commitments were being proposed and there would be, at least, an express commitment across the Legislature to take some immediate action to limit assessed valuation.

Ms. Reedy indicated Treasurer's Office staff would be happy to work with the Fiscal Division staff on the impact of a 6 percent limit.

In response to questions from Ms. Giunchigliani concerning how a 6 percent limit affected the budget, Perry Comeaux, Director, Department of Administration, advised that although staff was aware of a possible limit, provisions for a limit were not made in the budget since there was no idea of how the Legislature might want to address the issue. However, Mr. Comeaux advised that the Budget Division was prepared to provide estimates on the impact. Mr. Comeaux advised that other budgets, such as the Distributive School Account (DSA) would be affected by the 6 percent limit on assessed valuation.

Ms. Giunchigliani indicated that any major budgets that would be heard in the next few weeks, such as the DSA, should include information on budget adjustments as a result of the 6 percent limit.

With respect to Question 1, Natural Resources Bonds, Senator Raggio asked for clarification concerning whether the \$0.01 property tax rate authorized to support the debt service of the General Obligation bonds would be adequate.

Ms. Reedy advised that during the 2003 Legislative hearings, a \$0.02 assessment was projected, but the Treasurer's Office staff was working within the debt service structure to try to maintain the \$0.01 property tax rate, which would be determined when the bonds were sold on March 14, 2005.

Chairman Arberry closed the hearing on the Bond Interest and Redemption Fund, Budget Account 1082.

With no further discussion before the Subcommittee, Chairman Arberry adjourned the meeting at 10:09 a.m.

RESPECTFULLY SUBMITTED:

Connie Davis
Committee Attaché

APPROVED BY:

Assemblyman Morse Arberry Jr., Chairman

DATE: _____

Senator William J. Raggio, Chairman

DATE: _____

<u>EXHIBITS</u>			
Committee Name: <u>Assembly Committee on Ways and Means/Senate Committee on Finance Joint Subcommittee on Higher Education and Capital Improvements</u>			
Date: <u>March 4, 2005</u>		Time of Meeting: <u>8:00 a.m.</u>	
Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B	Cindy Edwards, Administrator Division of Buildings and Grounds	Buildings and Grounds M425 Budget Request
	C	Robin Reedy, Deputy Treasurer Debt Management, Office of the Treasurer	State of Nevada Debt Capacity Report