MINUTES OF THE JOINT MEETING OF THE SENATE COMMITTEE ON TRANSPORTATION AND HOMELAND SECURITY AND THE ASSEMBLY COMMITTEE ON TRANSPORTATION

Seventy-third Session
February 15, 2005

The joint Senate Committee on Transportation and Homeland Security and the Assembly Committee on Transportation was called to order by Chair Dennis Nolan at 1:40 p.m. on Tuesday, February 15, 2005, in Room 1214 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4412, 555 East Washington Avenue, Las Vegas, Nevada. Exhibit A is the Agenda. Exhibit B is the Attendance Roster. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

SENATE COMMITTEE MEMBERS PRESENT:

Senator Dennis Nolan, Chair
Senator Joe Heck, Vice Chair
Senator Maurice E. Washington
Senator Mark E. Amodei
Senator Maggie Carlton
Senator Steven Horsford

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Assemblyman John Oceguera, Chair
Assemblywoman Genie Ohrenschall, Vice Chair
Assemblyman Kelvin D. Atkinson
Assemblyman D. Claborn
Assemblywoman Susan Gerhardt
Assemblyman Joseph M. Hogan
Assemblyman Joseph Mark A. Manendo
Assemblyman John C. Carpenter
Assemblyman Chad Christensen
Assemblyman Pete Goicoechea
Assemblyman Rod Sherer

SENATE COMMITTEE MEMBERS ABSENT:

Senator Michael Schneider

STAFF MEMBERS PRESENT:

Patrick Guinan, Committee Policy Analyst
Marjorie Paslov Thomas, Committee Policy Analyst
Linda Ronnow, Committee Secretary
J. Randall Stephenson, Committee Counsel
Lee-Ann Keever, Committee Secretary

OTHERS PRESENT:

Jacob L. Snow, General Manager, Regional Transportation Commission of Southern Nevada
Ross Johnson, Chief Financial Officer, Transit Systems Management, LLC
Michael C. "Nick" Niarchos, Vice President and General Counsel, Robert N. Broadbent Las Vegas Monorail
Alex Hossack, Chairman, Robert N. Broadbent Las Vegas Monorail Audit and Finance Committee

Chair Nolan stated staff members would provide the Committee with a brief overview of those transportation agencies making presentations to the joint committee meeting.

Patrick Guinan, Committee Policy Analyst, said Chair Nolan and Chair Oceguera requested the presentations by State and local government transportation entities. The presentations would be general in nature and allow the Committee members to familiarize themselves with the broad subject areas concerning transportation which would appear before the Committees during the 73rd Legislative Session.

Mr. Guinan reminded Committee members that they had previously heard presentations from state-level transportation agencies including the Department of Motor Vehicles (DMV), the Nevada Department of Transportation (NDOT), the Regional Transportation Commission of Washoe County and the Airport Authority of Washoe County.

Mr. Guinan said the Chairs had requested presentations from three Clark County entities: the Regional Transportation Commission of Southern Nevada, the Clark County Department of Aviation and the Robert N. Broadbent Las Vegas Monorail (LVM). However, Randall H. Walker, Director of Aviation, Clark County Department of Aviation, would not be available until February 22, 2005. At that time, Mr. Walker would make his presentation to the joint committee meeting.

Marjorie Paslov Thomas, Committee Policy Analyst, said the first presentation would be by Jacob L. Snow, General Manager of the Regional Transportation Commission of Southern Nevada (RTCSN). Ms. Paslov Thomas said Mr. Snow joined the RTCSN staff in 1999; prior to that time, he was employed by the Clark County Department of Aviation as an assistant director. Ms. Paslov Thomas said the Committee members would then hear a presentation on the LVM.

Mr. Snow referred to page 1 of his handout (Exhibit C) which detailed the expected increase in southern Nevada traffic between the years 2002 and 2030.

Mr. Snow stated that in November 2002 the Clark County voters approved the Transportation Referendum. The 2003 Nevada Legislature authorized the Clark County Board of Commissioners to enact revenue-generating measures which would allow Clark County to finance the transportation issues facing the county, page 1, Exhibit C. Mr. Snow explained the map on page 1, Exhibit C depicted the traffic flow in Clark County; the wider the green line in a certain area, the greater the volume of traffic for that area.

Mr. Snow said the traffic forecast expected an additional 100 cars per day to be added to the traffic due to the rapid growth in southern Nevada. The rapid growth rate made it difficult for transportation providers to supply the level of service the citizens expected. It was anticipated that by the year 2030, the population in southern Nevada would be approximately 3 million. Mr. Snow stated the map on page 1, Exhibit C, illustrated the current one hour, each way, commute people in southern Nevada were experiencing.

Mr. Snow said he appreciated the opportunity to present the Committee members with an overview of the transportation challenges facing southern Nevada. Mr. Snow stated the RTCSN board had prioritized the transportation projects for Clark County. The list would be sent to Nevada's Congressional Delegation in Washington, D.C., for consideration and possible funding.

The transportation priorities for Nevada had been decided by the RTCSN, the NDOT and the Regional Transportation Commission of Washoe County. These groups collectively decided the three priorities would be: 1) U.S. 95 and the beltway system in Las Vegas; 2) the system-to-system interchange in North Las Vegas between the beltway and Interstate 15; and 3) the McCarran International Airport Interchange improvements.

Mr. Snow said the RTCSN supported NDOT's widening of Interstate 15 from the Las Vegas Spaghetti Bowl and the widening of U.S. 95 (Interstate 515) to Railroad Pass. Mr. Snow mentioned other RTCSN projects such as the Martin Luther King Overpass, the Galleria Drive Interchange, and the Boulder City Bypass. The Boulder City Bypass plans included the synchronization of the traffic signals in Boulder City to accommodate the completion of the Colorado River Bridge, which was a part of the Hoover Dam Bypass Project. The synchronization would be required to handle the anticipated increase in traffic resulting when the new bridge was opened.

Mr. Snow stated the RTCSN would be building numerous new roads in Clark County and building those roads in a smarter fashion. Mr. Snow mentioned the North Fifth Street expansion as an example of smarter road building and referred to page 1, Exhibit C, which illustrated the way the project would look when completed. Once widened, North Fifth Street would permit an unimpeded traffic flow in each direction due to the six travel lanes, including the dedicated transit lanes and bicycle-pedestrian corridors. There would be no traffic lights or stop signs along the route. Once completed, the expansion would eliminate 15 minutes of travel time from the average commute.

Mr. Snow said there were few opportunities for transportation expansion in southern Nevada due to the existing development. Mr. Snow stated the RTCSN recently approved $10 million in Question 10 (Clark County Advisory Question No. 10, 2002 General Election) money which would permit the RTCSN to begin acquiring the right-of-way necessary for future transportation projects. Mr. Snow stated the majority of the Question 10 funding would be directed towards work on the Bruce Woodbury Beltway.

Mr. Snow said the RTCSN faced challenges from growth, development and air quality. These challenges made it difficult for both NDOT and the RTCSN to build additional freeway infrastructure in the Las Vegas Valley. The existing freeways could be expanded, but only to five traffic lanes in each direction due to the difficulty in adding merge lanes.

The RTCSN knew additional high-speed, high-capacity transportation was needed in southern Nevada. Mr. Snow noted that other communities had been successful when using the light-rail system to provide high-speed, high-capacity transportation. He mentioned the light-rail system in Dallas, Texas, as being one of the most successful in the country, while the light-rail system in Houston, Texas, carries 30,000 riders per day.

Mr. Snow referred to page 2, Exhibit C, and directed the Committee's attention to the middle row of pictures which demonstrated the space 36 cars required on a highway. He noted the additional space available on a highway when the 36 cars were replaced by mass transit. Mr. Snow said there had been an attempt to add an eastern leg to the beltway. In order to complete the addition, residences and businesses were purchased at a high cost, plus public hearings were conducted on the proposed addition. However, there had been no political, economic or environmental support for the project.

Mr. Snow said the RTCSN needed to make public transport attractive to the public. Mr. Snow again referred to page 2, Exhibit C, which illustrated how a public transportation vehicle might be made attractive to the public.

Mr. Snow stated Cambridge Systematics spent $250,000 on a survey asking people what would it take for them to use public transit. The results showed that one-sixth of the respondents said they would never give up their private vehicle; one-sixth of the population preferred using public transport as they used the commute time on personal or work projects; two-thirds of the respondents stated they would use public transport only if it met their needs. The needs were defined as: 1) a good network structure, 2) good performance in terms of time and schedules and 3) good customer experience.

Mr. Snow said the RTCSN was attempting to make public transport more attractive with new uniforms and vehicles. Through the use of Question 10 money, the RTCSN ordered 80 new coaches which would be delivered in

September 2005; 50 of those coaches would be double-decker buses. The coaches would be in service along The Strip, Maryland Parkway, the most heavily traveled transit route, and along Flamingo Road.

Mr. Snow referred to page 3, Exhibit C, which detailed Valley Verde in Green Valley. The Henderson Branch of the Union Pacific Railroad (UPRR) was located there. Currently, two trains a day use the route. Mr. Snow said he thought the UPRR route was the most underutilized transportation asset in southern Nevada. Mr. Snow added the RTCSN wanted to make the UPRR route a transit corridor and call it the Regional Fixed Guideway or light-rail system.

Mr. Snow explained the proposed Intermodal Corridor would accommodate all types of transportation, including both private and public, and would encompass 33 miles of road throughout Clark County. The current transportation corridor was not attractive. The RTCSN planned to convert that corridor into an urban parkway utilizing drought-resistant landscaping.

Mr. Snow referred to page 4, Exhibit C, depicting an artist's rendering of the completed project. Mr. Snow said the RTCSN received $61 million from the Southern Nevada Public Land Management Act. Those funds were earmarked for the installation of the bike-pedestrian and park infrastructures. The money could also be used as local match money to leverage additional federal funds.

Mr. Snow presented a brief video to the Committee members which detailed the flow of traffic and the different means of transportation available once the Intermodal Corridor was completed. Mr. Snow said the system was not designed for tourists, but for the people who lived, worked and played in southern Nevada.

Mr. Snow explained the Metropolitan Area Express Project (MEAP) went from Craig Road to downtown Las Vegas using a dedicated lane. Since the dedicated lane was installed, there had been a 30-percent increase in ridership. The 30 percent represented new public transit riders. Federal funding financed 80 percent of the MEAP project. He played another brief video which demonstrated how a person could board a MEAP vehicle and pay the fare through the use of vending machines. The vending machines were convenient for its 5,000 daily riders. All MEAP vehicles used an optical guidance system to dock. Mr. Snow stated that MEAP functioned as a light-rail system, operating at one-tenth the cost of a light-rail system.

Mr. Snow said both the NDOT and the RTCSN agreed to incorporate MEAP into the Boulder Highway. An NDOT study recommended using the Sahara Avenue break-down lanes on both sides of the highway for MEAP. He stated there was sufficient right-of-way on the Boulder Highway which would permit the installation of dedicated lanes. Mr. Snow said the RTCSN was looking at Rancho Drive as a possible MEAP site.

Mr. Snow explained the new vehicles being used by the program were capable of going 70 miles per hour. This higher rate of speed made those vehicles ideal for use on the freeways in southern Nevada.

Mr. Snow said Clark County and the RTCSN had been working together on the Blue Diamond Corridor. The city of Henderson asked the RTCSN for assistance with the West Henderson Corridor.

Mr. Snow stated transportation projects benefited when the planning was smart. Smart planning included adding roads and utilizing the parks, the trails and the landscaping to nurture a sense of community. He outlined the benefits of a well-planned transportation project: added safety and security for a transportation system; shaping growth instead of stopping it; minimizing sprawl; promoting public health by making safe bicycle and pedestrian infrastructure available to the public; improved air quality; availability for all and improved property values.

Mr. Snow said communities in America used transportation projects to solve a community's social problems. These transportation projects were called transit-oriented redevelopment. He cited the city of Portland's use of its public transport system as an example. When Portland installed a street car system, it experienced vertical development resulting in a mixed-use urban village, where all services and shopping locations were within walking distance or were part of a mass-transit system.

People living in a mixed-use urban land village became eligible for location-efficient mortgages. The theory behind such a mortgage was a person who lived in a mixed-use urban land village, and did not own a vehicle, would not be responsible for car payments, insurance, maintenance and parking. As such, this person would have more income to spend on a mortgage. These individuals might not qualify for a traditional mortgage if they owned private vehicles.

Mr. Snow said the RTCSN was working with Clark County and all the cities in the county on determining where mixed-use urban villages could be located. The prices within a mixed-use urban land village ranged from inexpensive to very expensive.

Senator Carlton said the eastern leg of the beltway had become congested and asked whether or not a full beltway had been considered for that area. Mr. Snow said he did not see any change in the current transportation plan for the area mentioned by the Senator due to political and economic forces. He noted those same forces killed prior attempts to expand the beltway.

Mr. Snow added that the RTCSN was considering installing a super arterial on Sahara Avenue. He said he knew such an infrastructure was needed on the east side of the Las Vegas Valley. He stated a super arterial for Nellis Boulevard had been rejected by NDOT due to the impact on local businesses during construction.

Mr. Snow said NDOT was considering installing a super arterial along the Lamb Boulevard corridor. He said he thought installing super arterials along Sahara Avenue and Lamb Boulevard had the potential to relieve some of the congestion along the eastern side of the Las Vegas Valley.

Senator Carlton said she had told NDOT officials that she did not necessarily want a highway in her neighborhood. She said due to the increase in traffic, it felt as though there already was a highway in place. Senator Carlton asked whether or not there was an efficient means to move the north- and south-bound traffic on Nellis Boulevard, which would eliminate some of the traffic in her neighborhood.

Mr. Snow told the Senator that Nellis Boulevard's biggest problem was zoning. The rationale behind zoning in Clark County had been to keep the commercial land-use facilities away from the single-family residences. In order to permit access and egress to the commercial businesses, a curb cut or driveway was placed every 100 feet.

Mr. Snow suggested the installation of additional traffic lights might relieve some of the congestion referenced by Senator Carlton. Mr. Snow said that a mixed-use urban land village would alleviate traffic congestion and be more convenient for its inhabitants. Mr. Snow stated a person living in a single-family residence had to drive to the store when he or she needed to make a purchase, while a person living in a mixed-use urban land village would be able to walk to the nearest store.

Mr. Snow stated it was difficult to solve congestion problems in a specific area as long as there was commercial land use in the area combined with traffic signals. Improvements could be made to traffic lights and their timing. The RTCSN had been charged with the synchronization of all traffic lights in Clark County. There were 900 traffic signals in the Las Vegas Valley, but only 600 were connected and synchronized through a computer network.

Mr. Snow said the RTCSN selected six transportation corridors in the Las Vegas Valley during 2004 and retimed the traffic signals in those six corridors. The cost of retiming had been minimal and resulted in improved traffic flow and less traffic congestion.

Mr. Snow offered to review Nellis Boulevard's potential as a candidate for having the traffic signals retimed. Senator Carlton said Nellis Boulevard had turned into a truck freeway as a result of the construction. She noted that the time of day was as important as the timing of the traffic signals and needed to be part of the component involved with keeping traffic moving.

Senator Horsford said he knew the RTCSN worked hard to address the transportation needs of southern Nevada. The Senator stated he was pleased to hear the RTCSN would provide transportation for the growth of new neighborhoods, especially in the urban core.

Senator Horsford asked Mr. Snow how he felt about the proposal Governor Guinn made in his 2005 State of the State address. The Governor's proposal referenced federal land from the Bureau of Land Management (BLM) being used for affordable housing. The Senator wanted to know whether or not the RTCSN had evaluated the Governor's proposal and if the RTCSN had an opportunity to review transportation needs should the proposal become a reality. Senator Horsford said the people who met the criteria set forth in the affordable-housing provisions often required public transportation.

Mr. Snow replied that the RTCSN thought the Governor's proposal should be explored as it might have merit. The RTCSN wanted to be a part of the decision-making process for land selection and transportation projects. Mr. Snow said he thought the people living in the area proposed by the Governor would work in the resort corridor in Las Vegas. He mentioned the RTCSN's commuter services program, which partnered the RTCSN with several major employers in that corridor. As a result of the partnership, employees who participated in the commuter services program had their commutes paid for by their employers. When the population density was located in specific corridors, the RTCSN was able to make the best transportation investment.

Senator Horsford mentioned the North Fifth Street Bridge and wanted to know what development opportunities existed between Alexander Street, Cheyenne Avenue and Craig Road on Fifth Street. Mr. Snow replied that the RTCSN was interested in the development possibilities along the corridor mentioned by the Senator. The RTCSN introduced a transit-oriented expert to the Planning Department at the city of North Las Vegas and had been working on land-use plans for the property.

Assemblyman Christensen asked Mr. Snow about the Blue Diamond Corridor and what transit plans were in place for that corridor. Mr. Snow said the RTCSN wanted to use the Max Train system in the Blue Diamond Corridor due to the cost-effectiveness of the vehicles. The Max Train system permitted the installation of a light-rail train system at a later date for a reduced cost should there be increased demand for public transportation.

Assemblyman Christensen asked whether or not the RTCSN had a time frame for the Blue Diamond Corridor project. Mr. Snow said while the project was on the table, there could be a problem in obtaining the dedicated right-of-way. The RTCSN was working with NDOT on obtaining the needed right-of-way. He said he thought it might be too late for additional expansion on the Blue Diamond Corridor Project due to the lack of right-of-way.

Chair Nolan addressed the resort corridor and noted there had been controversy regarding the interface between the light-rail system and the LVM. The Chair asked Mr. Snow where the two systems would interface and how the interface would operate.

Mr. Snow said the downtown transportation center was located at Main Street and Bonneville Avenue. The current center was small and the RTCSN would be building a new one. He said there were questions about the possibility of extending the LVM line into downtown Las Vegas. Mr. Snow stated that until the private sector paid for the majority of the costs associated with expanding the LVM line, he did not see the expansion occurring.

Mr. Snow said the master plan for the resort corridor called for the LVM operating on the east side of the corridor with a switch located at the Hilton Hotel which would allow the LVM to operate on the west side of the corridor. The switch allowed the potential for growth on the west side of the corridor by using a vertical separation with the light-rail system on the bottom and the LVM on the top.

Chair Nolan said the Committee was interested in reducing the traffic burden on the Las Vegas Strip. The Senator said he thought the light-rail system would help in that regard by transporting the work force in and out of the suburban areas surrounding the resort areas.

Mr. Snow said the RTCSN intended to construct a high-quality transit system which would take people in the Las Vegas Valley wherever they needed to go. He stated if the RTCSN had an opportunity to interface with the LVM system, it would benefit the community. In the future, through the use of technology, the transit systems in Clark County would be able to use smart cards which permitted riders to pay their fares with a smart card and then ride any transit system in Clark County. Mr. Snow said the different transit systems were working towards the use of the smart cards in southern Nevada.

Ross Johnson, Chief Financial Officer, Transit Systems Management, LLC, complimented Mr. Snow on his presentation. Mr. Johnson said the LVM was a Nevada nonprofit company organized to finance, acquire, construct, own and operate the LVM. Mr. Johnson referred to his handout (Exhibit D, original is on file at the Research Library) and explained that in September 2000, a complex financing structure was secured which allowed construction to begin.

Mr. Johnson said the Department of Business and Industry facilitated the financing, using tax-exempt bonds. The bonds were secured by fare box revenues. There was no obligation by the State to pay if the LVM defaulted on the bonds.

The use of bonds for financing meant that both the State and the Governor played a significant role in the LVM's operation. The Governor required an annual, public meeting to review the LVM's budget. The LVM's excess revenues could only be used for three purposes: 1) retirement of the LVM Revenue Bond, 2) improvements or expansion to the LVM and 3) the enhancement of transportation in southern Nevada.

Mr. Johnson referred to page 5, Exhibit D, which detailed the bond financing and the levels or tiers of bonds issued. Mr. Johnson noted that some of the resorts which helped fund the third level or tier of bonds were additionally committed to build the connector platforms from the LVM stations into the resorts. The LVM's construction costs were within the construction budget established in calendar year 2000. Mr. Johnson said he anticipated there would be money left over after construction was completed.

Mr. Johnson said the LVM's original opening date had been January 20, 2004. However, the actual opening date was July 15, 2004; the LVM then operated for 48 days until September 1, 2004, when it was closed for safety reasons. The LVM reopened on December 24, 2004, after problems with the alignment of the drive shaft were corrected. During the initial 48 days of operation, the LVM carried 1,361,360 riders.

Mr. Johnson stated the reopening of the LVM had been complicated due to the involvement of government entities and private companies. Mr. Johnson said while the LVM hoped to reopen before the end of 2004, company officials had not been sure when the reopening would take place.

Mr. Johnson referred to page 7, Exhibit D, which detailed the problem with the drive-shaft alignment. The original drive-shaft alignment caused torque which fatigued the drive-shafts and resulted in breakage. The LVM's shutdown triggered an intensive investigation. The investigation's results recommended the realignment of the drive-shaft. The drive-shafts of the LVM's coaches were now inspected on a daily basis. Mr. Johnson stated the LVM was working with the contractor and consultants to evaluate the effectiveness of the drive-shaft realignment.

Mr. Johnson said the LVM's finances were separated into four categories and referred to pages 9 and 10, Exhibit D, which outlined the categories, expenditures and revenues. Mr. Johnson stated a portion of the bond proceeds had been set aside as capitalized interest which permit the payment of interest prior to the operation of the LVM. Mr. Johnson said the last of the initial financing would be used during 2005.

Mr. Johnson explained the $35,629,000 in the Debt Service Fund represented one year of debt service on the first- and second-tier bonds. These funds would remain in that category until the bonds were paid off unless the LVM faced a financial crisis and had to draw upon the funds to pay the debt service.

Mr. Johnson said the money in the general funds category was used for operating expenses. This money was collected from fare box and advertising revenues and other LVM activities which generated revenue.

Mr. Johnson said the $11,230,630 in the Liquidated Damages category had been collected from the contractor as a penalty for the delay in opening the LVM. The LVM invoiced the contractor an additional $3.5 million for the delay. Mr. Johnson said the LVM was currently negotiating with the contractor for the financial damages resulting from the shutdown. The contractor had not provided the system the LVM contracted for during the shutdown period. The anticipated settlement had not been included in the LVM's financial projection.

Mr. Johnson said the $6.8 million contained in Special Purpose Funds had been required by Clark County. This money would be used to remove the LVM infrastructure should Clark County require its removal in the future. The Special Purpose Funds would remain intact until such time as the LVM proved its viability to Clark County; at that time, the LVM could petition Clark County for the release of the funds and then use the money as an operating cushion.

Mr. Johnson said he hoped the Committee members would remember that the $33 million in bond proceeds was a cushion which allowed the LVM to meet its financial obligations if the fare box and advertising revenues were not sufficient. In case of a financial emergency, the Debt Service Reserve Funds provided the LVM with one year of debt service.

Mr. Johnson referred to page 12, Exhibit D, which outlined the LVM's objectives. The LVM's operating results and future projections were listed on page 13, Exhibit D. Mr. Johnson said the LVM's grand opening received national and international media coverage. Mr. Johnson said the LVM needed to maintain an average of 36,000 rides per day in order to make its revenue goals.

Mr. Johnson stated the LVM's four-mile route ran from the MGM Grand Hotel and Casino to the Sahara Hotel and Casino, with a 12 to 14 minute travel time. Mr. Johnson directed the Committee's attention to pages 15 through 19, Exhibit D, which contained photographs of the stations along the LVM route.

Mr. Johnson said pages 20 through 22, Exhibit D, showed the LVM trains displaying the advertising purchased by private and governmental entities. This type of advertising was called wrapping. The advertising represented another revenue source for the LVM. Increased interest was being demonstrated in wrapping the remaining six LVM trains due to the sustained operation of the LVM.

Mr. Johnson stated the LVM was required to provide an audited financial statement to the Legislative Commission within six months of each fiscal year's end. The first report had been submitted in June 2004. The next audit was scheduled to be completed in April 2005. Mr. Johnson summarized his presentation by saying he felt the LVM's reopening had been a success. He noted Clark County's monitoring of the LVM ensured system reliability. Mr. Johnson said as ridership increased, the LVM would increase its marketing and promotion efforts. He stated the LVM was happy to provide information to the community and would cooperate with the community whenever possible.

Chair Nolan said Mr. Johnson's presentation answered a number of questions regarding the LVM's operation. He noted some of the Committee members were concerned with the development of the LVM system within Clark County.

Chair Oceguera asked about the bonding process for the LVM. The Chair said he understood the LVM secured bond insurance for the project which served to protect Nevada's taxpayers. Chair Oceguera stated that in 2004 the LVM bonds had been placed on credit watch by a major credit agency and requested a status report on the credit watch.

Mr. Johnson said Chair Oceguera was correct when he said insurance was required for the bonds. The first-year bonds were rated investment grade which meant they were rated BBB- from one credit agency and a Baa from another. At the beginning of 2004, LVM officials met with the bond rating agencies, Moody's Investor Service and Fitch Ratings, who affirmed the investment grade rating for the bonds.

When the LVM ceased operation due to safety concerns, both Moody's Investor Service and Fitch Ratings placed the LVM bonds on credit watch. This was done as the LVM had not been generating revenue at that time. Moody's Investor Service and Fitch Ratings were each looking for a sustained period of operations and revenue generation by the LVM. The companies could then release the LVM bonds from credit watch when they were satisfied with the LVM's operation and revenue generation.

Mr. Johnson stated Fitch Ratings would be inspecting the LVM operation in March 2005. Mr. Johnson added that LVM officials wanted to schedule Moody's Investor Services to inspect the LVM's operation during the same time frame.

Chair Oceguera said he had read an article which suggested the Internal Revenue Service (IRS) had reexamined the LVM's tax-exempt status and based on the reexamination might revoke the tax-exempt status. The Chair wanted to know how the LVM would meet its bond obligations if its tax-exempt status were revoked.

Michael C. "Nick" Niarchos, Vice President and General Counsel, Robert N. Broadbent Las Vegas Monorail, said LVM officials had not heard from the IRS concerning the LVM's tax-exempt status. Mr. Niarchos stated all interest paid on the bonds was tax-free.

Chair Nolan asked which audit or accounting company performed the LVM's annual audit. Mr. Johnson told the Chair the audit for the last two years had been conducted by Deloitte & Touche LLP (Deloitte & Touche).

Alex Hossack, Chairman of the Audit and Finance Committee, Robert N. Broadbent Las Vegas Monorail, said Deloitte & Touche appeared before the LVM board with a proposal regarding the audit and its costs. LVM officials continued to use the firm based on its past history with the LVM.

Mr. Hossack said in the future, LVM officials would review the audit process and request bids from companies interested in providing audit services to the LVM. He said the fees charged by Deloitte & Touche had decreased from previous years. He stated continuity was important and as that the company was familiar with the LVM's bond structure, LVM officials felt it important for the company to conduct at least one more audit for the LVM. Mr. Hossack reiterated the LVM would open the audit process to bidding in the future.

Chair Nolan said the audited financial reports were submitted to the Legislative Commission and asked whether or not there was a review process associated with the submission. Mr. Johnson said he did not know what happened to the audit reports once they were submitted. He noted the Legislative Commission had not requested meetings to discuss the audited financial reports. Mr. Johnson said representatives of the Department of Business and Industry attended all the LVM board meetings.

Chair Oceguera asked what would happen to the LVM's budget if federal funding was not granted during a fiscal year. Mr. Johnson replied that the LVM received no federal funding. The LVM's budget was based on bond proceeds backed by the revenues generated by the LVM system. When the LVM expanded into downtown Las Vegas, it was thought that the LVM might qualify for federal grants and low-interest loans. Currently, the LVM's operating history was not sufficient to qualify for the grants or low-interest loans.

Assemblyman Hogan asked about the LVM expansions to the north and to McCarran International Airport. He wanted to know whether or not it was within the LVM's charter to be a proponent of such expansion.

Mr. Niarchos said the LVM's first task was to ensure the line was operating in a profitable manner. The LVM wanted to expand its lines when it was appropriate to do so. The LVM board wanted the LVM to be part of the transportation solution, but in a financially responsible manner.

Mr. Hossack said the LVM board wanted the system to operate in a consistent fashion and that the LVM board wanted to market the system and build up the rider base. Increasing the rider base would demonstrate that the LVM was a sustainable and attractive transportation alternative. Once those factors were in place, future expansions would be easier to finance. Mr. Hossack stressed the LVM was not opposed to expansion.

Chair Nolan asked about the engineering problem with the drive-shaft alignment the LVM experienced in September 2004. He wanted to know where in the process the communication between the manufacturers, engineers and the LVM failed. Mr. Niarchos said none of the LVM board members were engineers and that the LVM was working with the construction team to resolve the problem. Mr. Niarchos said the LVM board relied on the construction team to provide accurate engineering as part of the construction contract. The problem with the drive-shaft alignment was a failure on the part of the construction team.

Transit Systems Management, LLC and the LVM board members quickly corrected the problem with the drive-shaft alignment. The LVM hired another engineering firm to review the solutions proposed by the construction team. The proposed solutions were approved and implemented.

Mr. Hossack stated the problem with the drive-shaft alignment was due to the construction team's efforts to meet the requirements of the Americans with Disabilities Act of 1990 (ADA). The construction team wanted the LVM cars to be flush with the platform and designed the drive shaft to accommodate the ADA requirements. The engineering solution was temporary and negatively affected the ride quality. The LVM wanted the ride quality improved.

Chair Nolan stated that LVM officials originally touted the LVM as helping to alleviate traffic on the Las Vegas Strip. During the original legislative hearings on the LVM, testimony had been received indicating the LVM would help move the work force on and off the Las Vegas Strip, while accommodating the tourist flow. He asked whether or not LVM officials were working with the resorts or casinos to promote employee ridership. Chair Nolan said he understood few resort or casino employees currently rode the LVM.

Mr. Johnson stated the LVM worked closely with the resorts and casinos on many aspects of the LVM operation. Mr. Johnson noted that the most difficult aspect of promoting resort or casino employee ridership of the LVM would be finding sufficient parking for the employees' personal vehicles.

Mr. Hossack said the marketing effort was in an embryonic stage due to the delays. Mr. Hossack explained how the marketing efforts would work and the type of feedback the LVM expected. Mr. Hossack said the LVM wanted all the riders possible.

Chair Nolan said it was in the community's best interest for the LVM to be successful. Regarding the LVM bonds, Chair Nolan said he thought the LVM had put in firewalls for protection. The Chair noted that for the comfort of the Committee, the Audit Division and the Legal Division of the Legislative Counsel Bureau (LCB) would be asked to provide a brief to the Committee members. The brief would detail the protections provided to the State regarding the fiscal health of the LVM.

The Chair directed Mr. Johnson, Mr. Niarchos and Mr. Hossack to provide assistance to the LCB staff members writing the brief. Mr. Hossack promised Chair Nolan the LVM board would assist LCB staff.

> ASSEMBLYWOMAN OHRENSCHALL MOVED TO ADJOURN THE JOINT MEETING OF THE SENATE COMMITTEE ON TRANSPORTATION AND HOMELAND SECURITY AND THE ASSEMBLY COMMITTEE ON TRANSPORTATION.
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> SENATOR HECK SECONDED THE MOTION.
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> THE MOTION CARRIED. (SENATOR SCHNEIDER WAS ABSENT FOR THE VOTE.)

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There being no further business, the joint meeting of the Senate Committee on Transportation and Homeland Security and the Assembly Committee on Transportation was adjourned at 3:07 p.m.

RESPECTFULLY SUBMITTED:

Lee-Ann Keever,
Committee Secretary

APPROVED BY:

Senator Dennis Nolan, Chair

DATE:

Assemblyman John Oceguera, Chair

DATE: