

**MINUTES OF THE
JOINT MEETING OF THE ASSEMBLY COMMITTEE ON TRANSPORTATION
AND THE
ASSEMBLY COMMITTEE ON TAXATION**

**Seventy-Fourth Session
March 13, 2007**

The Joint Assembly Committee on Transportation and the Assembly Committee on Taxation was called to order by Chair Kelvin Atkinson at 1:39 p.m., on Tuesday, March 13, 2007, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/74th/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

ASSEMBLY TRANSPORTATION MEMBERS PRESENT:

Assemblyman Kelvin Atkinson, Chair
Assemblyman Mark Manendo, Vice Chair
Assemblyman David Bobzien
Assemblyman Jerry D. Claborn
Assemblyman Ty Cobb
Assemblywoman Susan Gerhardt
Assemblyman Ed Goedhart
Assemblyman Pete Goicoechea
Assemblyman Joseph Hogan
Assemblywoman RoseMary Womack

ASSEMBLY TAXATION MEMBERS PRESENT:

Assemblywoman Kathy McClain, Chair
Assemblyman David R. Parks, Vice Chair
Assemblywoman Francis Allen
Assemblyman Morse Arberry Jr.
Assemblyman Mo Denis
Assemblyman Tom Grady
Assemblyman William Horne
Assemblyman John W. Marvel



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Assemblyman Harry Mortenson
Assemblyman James Ohrenschall
Assemblywoman Peggy Pierce
Assemblywoman Valerie E. Weber

COMMITTEE MEMBERS ABSENT:

Assemblyman John Carpenter, (Excused)

STAFF MEMBERS PRESENT:

Marjorie Paslov Thomas, Committee Policy Analyst
Michael Nakamoto, Deputy Fiscal Analyst
Christine Henriksen, Committee Secretary
Mary Garcia, Committee Secretary
Matt Mowbray, Committee Assistant
Gillis Colgan, Committee Assistant

OTHERS PRESENT:

Andy Belanger, Senior Management Analyst, Las Vegas Valley Water
District; Southern Nevada Water Authority
Richard Wimmer, Deputy General Manager, Las Vegas Valley Water
District; Southern Nevada Water Authority
Jeff Fontaine, Executive Director, Nevada Association of Counties
K. Neena Laxalt, Nevada League of Cities and Municipalities
Steve West, City Manager, City of Winnemucca

Chair Atkinson:

[Called the meeting to order. Roll taken for Transportation Committee.]

Chair McClain:

[Roll taken for Taxation Committee.] We have a quorum.

Chair Atkinson:

We have had two prior meetings with entities that appeared before the Joint Committee. This is the last one. We have three entities on the agenda today instead of the normal six. In the past we have asked each entity to give a 15 to 20 minute presentation and then we will open it up for our members to ask questions.

**Andy Belanger, Senior Management Analyst, Las Vegas Valley Water District;
Southern Nevada Water Authority:**

I am here to introduce Mr. Wimmer. He is our Deputy General Manager for both organizations for administration. He is going to be making our presentation today.

**Richard Wimmer, Deputy General Manager, Las Vegas Valley Water District;
Southern Nevada Water Authority:**

First, I would like to speak about the Water District and then follow that up with the Southern Nevada Water Authority (SNWA). I will speak from the handouts provided to you in advance. There are numbers on the bottom of each page, and I will clearly indicate which page I am talking from so we can stay on the same page and work through it rather quickly. You have two letters, one on Water District stationery ([Exhibit C](#)), which Mr. Belanger is showing you and one on SNWA stationery ([Exhibit D](#)). It is important to understand the difference between these two agencies and their roles. We confuse everyone because the same management team essentially operates both entities. Unless we are clear when we shift gears, it's hard to tell which one we are talking about, and I will try to be clear this afternoon.

The Las Vegas Valley Water District (LVVWD) is a water retailer. It is the largest retail water agency in the Las Vegas valley area. It serves approximately 75 percent of the Las Vegas valley. This includes the unincorporated urban part of Clark County and the City of Las Vegas. In addition, it serves the rural systems of Blue Diamond, Searchlight, Kyle Canyon, and Jean. This agency was formed by the Legislature in the late 1940s and began operations by taking over the land and water company from the railroad in 1954. By a separate Legislative act in the 1970s, the Board of County Commissioners serves as the Board of Directors.

The materials on the LVVWD page 1 ([Exhibit C](#)), has the information you requested. The primary funding sources for the water districts are water rates, and to a lesser degree, fees, and also local connection charges. When people talk about a significant connection charge in southern Nevada, it is not the local connection charge; it is the regional connection charge that is imposed by the SNWA. The two main sources of revenue are water rates and connection charges. For a typical home, the local connection charge is about \$1,000 to \$1,400. The water rates structure in the Las Vegas valley is an aggressive, tiered structure. The first allocation of water used inside the house is \$1.10 per 1,000 gallons. It increases to \$1.89, \$2.62 and \$3.48 respectively, at higher levels of water use. In addition, there is a monthly service charge that is imposed. Most of the water rate revenue is used to fund operations. It is a

capital-intensive business, but there are significant amounts of maintenance and operating costs to be able to deliver water on a daily basis to that many people.

The infrastructure, which is on the bottom of page 1, is reservoirs, pumping stations, and pipe lines that are part of the local distribution system. Between 1997 and 2006, we spent about \$606 million on our major construction program. That is approximately \$60 million a year, with some years over \$100 million and some years significantly less, in order to average that amount. If the valley continues to grow, we will have to continue to add reservoirs, pumping stations, and facilities, as well as do major replacement to older facilities so that we can provide the same level of service to all of our customers over time. Those will go up over time just as they have historically. We do not build anything until it is absolutely necessary. In terms of an exact amount, it will be in the range that it has been.

The pie charts on page 2 show our Sources of Funds and our Uses of Funds in the current budget year. The large purple segment of the top pie is water rates, which is over 50 percent of our revenue. Most of that goes to pay for operations. The facilities connection charge, which is the connection charge I spoke about, is about 7 percent. We have some application fees, which are smaller fees charged to builders to make sure growth pays for itself. We have interest income and other things, but the main sources of revenue are the water rates, the facilities connection charges, and some fees collected for the SNWA, shown in that brown segment. The point that I want to make is that they are collected locally by the Water District and by the other member agencies. They are then remitted to the SNWA and used to fund either operations or capital improvement programs.

The Uses of Funds shown on the bottom pie has a brown segment which is the same size as the brown segment on the top. Those fees are also remitted to SNWA. The significant blue segment of the bottom pie is the cost of water. The majority is a wholesale delivery charge paid to the SNWA to pay for operations of the SNWA. That is \$2.52 per acre-foot for water.

The Southern Nevada Water Authority is a regional entity, whose responsibility is to acquire and manage water resources on a regional basis for all of the Las Vegas valley area. The member agencies are all the water and wastewater agencies in the Las Vegas area. They are Boulder City, City of Henderson, City of Las Vegas, City of North Las Vegas, Big Bend Water District, which is in Laughlin, Clark County Water Reclamation District, which provides sewer service for about one half of the valley, and Las Vegas Valley Water District.

The governing board of the SNWA, a seven-person board, has one appointed board member from each of those entities.

On page 1 of the handouts ([Exhibit D](#)), with the exception of the wholesale delivery charge, the funding sources for the major capital infrastructure for water in southern Nevada are listed on this chart. The first one is connection charges. The first column identifies the source and the last column identifies the amount we have collected since 1997 to 2006. The connection charge is the majority of the revenue that we have collected to pay for infrastructure. It was designed to try to get growth to pay for growth.

There is a commodity charge in addition to the water rate. It started out at 5 cents per 1,000 gallons—remember the lowest rate for water at the Water District was just over \$1 — it is now 10 cents, and you can see the amount that has been generated. There is a reliability surcharge. This is a water rate charged at a higher rate to commercial customers, recognizing that their need for full scale reliability is higher than residential customers' need. This has been in place since 1997.

The quarter-cent sales tax, which we talked to the Legislature about in 1997, was subsequently approved on the 1999 ballot initiative with 72 percent approval. The public understood the need at that time. If you look at the column on the right, it has generated another \$335 million. The footnote on the bottom of this further explains the sales tax. The gross sales tax collected in 2006 was \$521 million, with \$335 million going to water infrastructure, \$146 million to the Wastewater Agencies, and \$18 million to the rural areas in Clark County. Under the provisions of that enabling Legislation, this quarter-cent sales tax was allowed to help contribute to their water and wastewater with \$20 million allocated to projects that were necessary in the Las Vegas Wash.

Looking at the Capital Improvements on page 2, the first section, Constructed Facilities from 1997 to 2006, is the program for the SNWA that received the most attention from the newspapers in the past when we talked to the Legislature regarding the quarter-cent sales tax. It involved a new intake into Lake Mead and a new treatment plant on the other side of the mountains in East Henderson. A series of pumping stations and major pipe lines encircled the whole valley, significantly improving the reliability of the water system. We now have two intakes, two treatment plants, and a loop system which back feeds water to other parts of the valley if a part of the system is down.

The new treatment plant used ozone as the primary disinfectant or "the initial kill" in the treatment process; and we retrofitted the existing treatment plant

which provided a significant improvement in water quality. The existing treatment plant, expanded to 600 million gallons per day, is the largest ozone treatment plant as far as we know. A new addition to this project in the last 18 months has been the additional intake into Lake Mead. It became a necessity for two reasons: the drought and less water received from the Colorado River. In order to manage more water for all the seven states that use water out of the Colorado River, we are going to have to operate the reservoirs at a lower level in the future, which puts them at a higher risk for drought. This means we need a lower intake in order to mitigate that risk. It is a significant project costing \$800 million.

We acquired a large amount of water resources. We have or will spend about \$720 million in conservation programs. To give you an idea on conservation, the program we have in place is paying to remove turf, thereby reducing overall water use. At this juncture we have spent over \$70 million, most of it at \$1 per square foot. Our water use has gone down as a result of this program.

The most significant of our environmental initiatives is the Las Vegas Wash. The projects regarding the runoff in the valley and the treated effluent that is seldom discharged into the Wash, as well as other environmental initiatives, are moving right along.

The proposed facilities from 2007 to 2016 are similar to those of the Water District but, are larger. There will have to be a new tunnel, as well as additional pumping stations and pipelines to bring and to distribute water into the valley. It will depend where and when the growth occurs and what will be needed.

There has been discussion regarding the in-state water project which involves a pipeline to eastern Nevada to bring unappropriated ground water into the Las Vegas valley. This is listed as a major capital project.

I spoke earlier about terms of infrastructure—the original capital improvement program, the new intake, and some of those water resources—which were being paid for through this funding plan. If you look at the funding plan on page 3, I can put it into perspective. This pie chart is the original chart we brought to the Legislature in 1997. Approximately 57 percent is intended to come from regional connection charges over the life of the plan, 10 percent from regional water rates, 5 percent from the reliability surcharge, and 28 percent from sales tax. I neglected to mention on the first chart that we have received significant funding from the Southern Nevada Public Lands Management Act. It was not planned as part of the program because we did not know what land would be released and how much we would receive. That

has helped the financial picture as we have gone forward. This original pie chart shows 28 percent from sales tax. The rationale behind this, at the time and still holding true today, is that growth needs to pay for growth, and everybody needs to pay for reliability and water quality. Nobody thought it was perfectly fair, but it has held up over time. The chart at the bottom gives you an idea of how revenues were received compared to what was projected to Legislature in 1997. The commodity charges, reliability charges, and sales tax are what we projected. The connection charges are higher because we continue to grow faster than anyone projected. In the final analysis those same revenues are used to pay the appropriate share of the capital improvements.

Assemblyman Mortenson:

The area I am interested in is on page 2, water resources regarding the conservation programs. Could you go down the list and speak on the other five entities?

Richard Wimmer:

Under conservation?

Assemblyman Mortenson:

Yes, under water resources.

Richard Wimmer:

The Arizona water banking is the second one. The arrangement we made with Arizona is to pay them \$330 million to bank 1.2 million acre-feet in Arizona, and we can take out a certain amount every year over 50 years. The length of time is almost a transfer under another name, but is a very key part of our resource plan in going forward. It is a bridge until we have additional water resources, such as the in-state water project in place.

The southern Nevada water banking is what we actually spent injecting water into the Las Vegas valley in the off-season when we have excess capacity. Essentially, it is a bank account in times of drought where we can draw water if we have water management issues in the future. We have 300 thousand acre-feet of water in the Las Vegas valley now.

The Three Lakes water rights, part of the in-state water project, is a very small part that goes out to Highway 95 toward Indian Springs. We have applied for unappropriated water rights for a couple of valleys.

Approximately 10 years ago we bought water rights in Coyote Springs valley. When we have a pipeline coming into town, that water will be delivered into the

Las Vegas valley. We have acquired some Muddy River and Virgin River water rights. This has become extremely valuable to us for the future. Part of the reason we bought them is because we knew we would have the ability to use these pre-compact water rights and get return flow credits on them. Did that answer your question, Assemblyman?

Assemblyman Mortenson:

Yes, it does. Could you give a couple of numbers of the acre-feet you may get from Muddy River, Coyote Springs, and Three Lakes?

Richard Wimmer:

In Coyote Springs, we have approximately 9,000 acre-feet. In Three Lakes, the current amount is approximately 11,000 acre-feet, depending how it develops. The Muddy River is in the range of 9,000 acre-feet and is a limited amount on the Virgin River.

Assemblyman Manendo:

On page 1, you mentioned the quarter-cent sales tax and the money that goes to the wastewater agencies, \$18 to \$19 million, is that correct?

Richard Wimmer:

Wastewater agencies have received approximately \$146 million. \$18.8 million have gone to the rural areas in Clark County for water and wastewater.

Assemblyman Manendo:

Is that Clark County and the City of Las Vegas combined?

Richard Wimmer:

Yes, it is, and also the City of Henderson.

Assemblyman Manendo:

Do you have the breakdowns, or can you give me the breakdowns?

Richard Wimmer:

I did not bring them with me today. We can get you the breakdowns between the agencies. In fact, we can give you a more detailed breakdown of that quarter cent sales tax for you, if you would like.

Assemblyman Manendo:

I was just curious about the wastewater?

Richard Wimmer:

In the long run, the way the wastewater will work is, ultimately, water gets allocated based on actual capital infrastructure needs. It is not a fixed percentage; it will be adjusted over time. If more wastewater is used because of new treatment standards, they would get a high percent. Conversely, if water ended up being more expensive, it would get a higher percent.

Chair McClain:

How much water have we saved through the conservation efforts?

Richard Wimmer:

We have reduced our annual usage from over 330 thousand acre-feet a year to about 270 thousand acre-feet, which is significant since the drought began. This is an annual water usage for an increasing population. We are coming off that a little bit right now, but we are also intensifying some of our enforcement programs and everything else to gain that back. People really step up to the plate when you have a drought. The drought is not over and people need to be reminded.

Assemblyman Ohrenschall:

Do you think the current rate structure does enough to promote conservation, or could it be tweaked in any way?

Richard Wimmer:

The basic structure we have had in place for 15 years has been tweaked significantly several times. There are now more tiers with a more aggressive pricing structure. Do I think that is the best structure to conserve water for the future? I do not believe so. I think it is time we take a look at the whole rate structure. In fact, our Water District Board of Directors has asked us to put together a citizen's advisory committee, which will be done in April or May of this year, similar to what we did when we changed the rate policy in the past, and we got all the stakeholders and community involved. We will be looking at the conservation goals: the studies regarding price elasticity, our existing rate structure, and things that have been done in other places. Also, we will be asking if this has been a good vehicle to this point, and if it is the best vehicle for the future. We need to challenge it, and if there is a better vehicle for what we need to achieve, then we need to use it.

Assemblyman Goedhart:

On the SNWA schematic of in-state resources, on the bottom of page 4, you have delineated in red the proposed future pipeline from Lincoln County into southern White Pine, right?

Richard Wimmer:

Yes.

Assemblyman Goedhart:

In one of the counties I represent, Nye County, you have filed for a lot of water rights. It does not show any spur going in that direction. Is that because you filed those 20 years ago and decided not going to pursue them?

Richard Wimmer:

Is Railroad Valley what you are referring to?

Assemblyman Goedhart:

Correct.

Richard Wimmer:

There were significant applications filed at the time in Railroad Valley and they still exist. From a cost and an engineering standpoint, there are several challenges in doing it along with this project. As of now, it is on an indefinite hold. We are not currently pursuing it.

Assemblywoman Womack:

Getting back to the conservation issue, a few years ago we had the aggressive conservation issue about appliances in the house—the shower heads, toilets, and spouts in the kitchen—for both commercial and residential users. I noticed that we are not talking conservation with appliances in the workplace and in homes. Did that save water? Is that a way of conservation? What are you going to do in the future?

Richard Wimmer:

It is probably more important from a perception and cost standpoint than an actual conservation standpoint. This is very difficult for most people to understand because we are unique among large cities in the West. For every gallon of water we treat to appropriate standards that is used inside and is returned to the river, we get to take it out again. It is called a return flow credit. All of the inside water is recycled. We have reclamation facilities on the west side of town intercept the water, treat it, and use it to irrigate golf courses and large turf areas. It does not mean that from a cost, water quality, or ethical standpoint, inside conservation is not important, because it is. We still have the programs in place regarding shower heads, and we support water-saving technologies. The real water savings for us, in terms of real gallons of water

saved, is the outside conservation. That is why you see a much stronger focus on outside conservation.

Assemblyman Hogan:

I was interested in your comment regarding the establishment of the new advisory committee to start as early as April or May of this year. I know General Manager Mulroy has indicated that needs will become very severe and the time may come when there will need to be a pipeline bringing new water in as early as 2015. With that less than eight years from now, how long will the advisory committee need to work, or how long will they work to come up with a recommendation that can be implemented? Will that leave enough time between when the recommendation becomes available and when the water flow becomes essential?

Richard Wimmer:

Rate making is extremely complex. It is almost as much an art as it is a science, not only because of the financial implications, but also the politics involved with everything else. Our citizen advisory committee is going to look at where we are and what kind of structure—without being married to what exists—will help us best accomplish our future goals. The recommendation will not be in one leap. Successful rate making is an evolutionary process. It will happen over time. I expect we will have recommendations from the committee this year, and some initial recommendations will be implemented perhaps in early 2008.

Chair Atkinson:

This water smart landscaping, you have spent \$70 million over what time span?

Richard Wimmer:

That program has been in place for about eight years. It did not get heavily utilized because we were not paying enough. Most of the money was spent in the last three or four years after we increased it to \$1.

Chair Atkinson:

What was it before then?

Richard Wimmer:

It was 40 cents.

Chair Atkinson:

Now it is \$2.

Richard Wimmer:

It is \$2 for the first 1,500 square feet and is only for this year. The program is trying to encourage the removal of smaller areas of turf that do not have economy of scale, which is important from a conservation standpoint as well.

Chair Atkinson:

It has been moved to \$2 to encourage or...?

Richard Wimmer:

We are trying to encourage more people with smaller projects to get on board and take advantage of the program.

Assemblyman Goedhart:

You made a difference between inside and outside water in that the inside water could be treated and that we have negotiated the return flow credit to Lake Mead. Is there a cap on how much of that reclaimed retreated water we are allowed to put back into Lake Mead without diminishing the water quality of the downstream users?

Richard Wimmer:

It is yes and no. The bottom line is that we have to treat it to appropriate standards. The dirtiest water going into the Las Vegas Wash is from run off, not from wastewater treatment plants, which is fairly clean. The work on the Wash has been primarily dedicated to trying to clean up the water that does not get treated. We have state of the art treatment plants treating to appropriate standards. Some of our future resources come from the ability to get return flow credits on in-state water project water from the Virgin and Muddy River water. In order to get those return flow credits, we have intense negotiations with the downstream water users, so they are much more involved in what the standards are in terms of what we return to the river. Technically, on the surface it does not appear so, but it is getting much more restrictive as you suggest.

Assemblyman Ohrenschall:

Many times I have been told that southern Nevada did not get a fair share of the Colorado River water, or as much as Arizona and California, because only agricultural uses were anticipated. Has the Water District or Water Authority ever thought about going to court and reopening the case to get a larger portion than the 300,000 acre-feet and get our fair share?

Richard Wimmer:

We sure have. If there was any possible way that we could we would do it. What it amounts to is having some other state give up part of its share in order for us to get more. They feel every bit as strongly about not doing it as we do about opening it back up. We have to come up with very imaginative solutions that will help us in the long run, such as return flow credits on in-state water and the Arizona banking agreement. It will be creative opportunities, not a reallocation of the river water that allows us to manage our challenges in the future.

Assemblyman Ohrenschall:

You do not see going to court as an option?

Richard Wimmer:

Perhaps, if nothing else works.

Chair McClain:

Even though half of our population came from another state that has more than its share of water?

Richard Wimmer:

Yes, unfortunately, even though.

Jeff Fontaine, Executive Director, Nevada Association of Counties:

What I will try to do is cover capital projects and funding for those projects in some of Nevada's rural counties. We have heard from nine of our counties regarding funding and projects related to roads, transportation, public safety, and flood control infrastructure. Three other counties did not respond. We have written responses from Esmeralda, Humboldt, Mineral, Eureka, Nye, and Churchill Counties, which are included in your handouts. Yesterday, we received information from Elko and Pershing Counties, and verbally from Lyon and Storey Counties. I suspect the remaining three counties did not respond because they have not had any capital projects within the past ten years related to those areas of interest to you. Three of the counties that did respond, Mineral, Pershing, and Storey, indicated that in the past ten years, they have not undertaken capital projects in those areas.

The first exhibit is from a document published by the Nevada Taxpayers Association. It was published in July 2006 and is called *Financing Nevada's Infrastructure*. I pulled out the pages that deal primarily with those taxes, fees, and bonding authorities available to counties for multipurpose and public safety infrastructure, transportation, water facilities, including flood control and

submitted them to you ([Exhibit E](#)). They are categorized. With the exception of the authority for issuing general obligation bonds for public safety, infrastructure, and sales tax for flood control in Clark and Washoe Counties, all the other taxes, fees, and bonding authorities contained in this listing apply to all the other counties.

Three of those particular funding authorities most of the rural counties are using to fund infrastructure. They include *Nevada Revised Statutes* (NRS) 354.6113, which is the fund for construction of capital projects. The revenue sources can be any revenue sources available to a county. The NRS 354.598155, which is the special ad valorem for capital projects fund, states that counties can use up to 5 cents per \$100 of assessed value of their ad valorem for those projects. Also, NRS 354.6105 provides for extraordinary maintenance, repair, or improvement of capital projects as long as it is not on a recurring basis or no more than every five years.

In the packet, as an example, there is a page provided by Churchill County labeled Capital Improvement Financing, dated March 6, 2007 ([Exhibit F](#)). It lists those funding authorities I mentioned as well as others. On the next page, it talks about the specific capital projects that the county has undertaken in recent years and what funding sources they have used. I have been able to determine that it appears the real property taxes and the local gas tax are the primary revenue sources for capital projects. Certain consolidated tax revenues are being used as well. We have some rather interesting revenue sources that may be unique to rural counties for capital projects, specifically, the net proceeds tax from mining companies, which are being used in those mining counties. Those are taxes which lend themselves to capital projects because they are not predictable on a year-to-year basis, and those counties are taking advantage of them when they are rough in certain years for funding infrastructure projects. On the first legal sized sheet is Major Capital Improvement Projects for Eureka County ([Exhibit G](#)). Much of their infrastructure, primarily for public safety in the past several years, was funded with the net proceeds tax.

Other funds being used include, in at least one county, justice court administrative fees for some courthouse improvements and general fund surpluses, when they are available for one shots. One county reported the use of franchise fees. Lyon County, and there may be others, has adopted an impact fee for roads based on commercial and residential development. Other counties are using the development agreement process to negotiate improvements when commercial and residential developments come into their areas.

It is split across the counties in terms of whether or not they bond for their improvements or do it on a pay-as-you-go basis. It seems that counties are doing both.

On the federal funding side, there are some grants and other fees being distributed to counties and being used for capital improvements. The largest is the Payment In Lieu of Taxes (PILT). For those of you who may not be familiar with PILT, those are federal payments to local governments which are intended to offset the losses in property taxes because federal lands are not taxable within those boundaries. The payments started in 1977 and have been authorized at a much higher level than has been appropriated. In 2006 and 2007, they were appropriated at about 68 percent of what they have been authorized, which resulted in a total of approximately \$14 million to Nevada's counties. If you exclude Washoe and Clark Counties, the remainder of the counties receive about \$10 million in PILT payments. It is an area for the counties and for the Nevada Association of Counties (NACO) to lobby our Federal Congressional Delegation, to receive full funding of PILT for future years.

The Federal Transit Administration provides grants for buses and other bus-related capital facilities. These grants are administered by the Nevada Department of Transportation (NDOT) and distributed to the counties based on need. Approximately \$4.8 million was received by NDOT for various transit, buses, bus-related facilities for the elderly, disabled, and in some cases rural small urban public transportation. Those grants require 20 percent match. That 20 percent match is split; one-half is paid for by NDOT with interest earnings on State highway fund, and the other half—10 percent match—is provided by the locals.

Royalties for geothermal leases on federal lands is important to several counties which have geothermal operations. As an example, Churchill County receives about \$950,000 a year for those leases, which they use for capital improvements.

One county reported using community development block grants to improve its court house; and others are using homeland security grants for certain capital improvements for homeland security.

Regarding the local gas tax, there is a sheet ([Exhibit H](#)) from NDOT's *Facts and Figures* showing the components of the state, federal, and local gas tax and how it is distributed. Briefly, 6.35 cents is a mandatory local gas tax, which is broken down into four components and distributed to the counties. At the

county level it is distributed to cities based on formulas. Of the 6.35 cents, 5.35 cents can be used for bonding for new road construction. The remaining 1 cent has to be used for road repair. In addition to the mandatory gas tax at the local level, counties have the authority to raise their gas tax by another 9 cents per gallon. This goes to a regional transportation commission that is created by the county. There are 11 counties that have levied that 9 cent per gallon maximum tax. The remainder has levied an additional 4 cent per gallon optional tax. The chart shows you which counties have levied the optional gas tax. In total, those local taxes raise about \$171 million per year to all counties. If you exclude Washoe and Clark Counties, what remains is \$32.8 or \$33 million per year to be distributed to the other 15 counties to take care of all the maintenance and improvements to the roads in those counties and cities. Current law authorizes all counties, with the exception of Clark County, to adjust the local gas tax portion by 4.5 percent or the average of the Consumer Price Index for the last five years, whichever is less. The only county currently doing that is Washoe County.

A couple of additions to the list I mentioned came in yesterday. Lyon County reported their only major capital project in the last ten years was a \$2.2 million court house in 2001, and a \$2.5 million senior service center that just opened that was funded with the ad valorem capital projects funding tax. Elko submitted information which shows road improvement projects, traffic signals, and other road improvements primarily from utilizing their local gas tax. Finally, we received some information from Nye County ([Exhibit I](#)) which talks about their future needs.

Looking at the counties that are growing, such as Nye and Lyon—being the fastest growing county in the State—their needs are just as important as any other county to accommodate the growth based on the information we received. They are trying to cover those costs with their tax base. The situation of the counties that are not necessarily growing, such as Lincoln and Mineral County, they are trying to replace and modernize existing capital facilities that are falling into disrepair and need major improvements, whether they be new heating ventilation/air conditioning systems or other improvements ([Exhibit J](#)).

Assemblywoman Pierce:

Were the PILT payments ever fully funded?

Jeff Fontaine:

No.

Assemblywoman Pierce:

Is there a sunset on those? I have been hearing these stories about Oregon losing this money and closing libraries.

Jeff Fontaine:

The program that appears to be in real trouble is the Safe and Secure Rural Schools Program. It is a separate program, but it is connected to PILT. It comes out of the same appropriation. Nevada does not receive any appropriation for that program, and if they do, it is very limited. This is specifically based on forest lands. Oregon, particularly, has been hard hit by the fact that the funding has not been appropriated.

Assemblywoman Pierce:

There was an actual sunset on that. Is there a sunset on the PILT payment?

Jeff Fontaine:

I am not aware of a sunset on the PILT payments.

Neena Laxalt, representing the Nevada League of Cities and Municipalities:

I would like to thank the cities that responded and at the last minute provided detailed information. David Fraser, who is the Executive Director, could not be here today because he is in Washington, D.C.

The League has provided you with a binder ([Exhibit K](#)). After Tab 1 there is a spread sheet that has the 18 cities that are members of the League and have not provided a presentation to you. We asked the members to provide us with the following information: For fiscal years 1995 through 2007, revenues that were spent, their revenue sources for such projects, and a breakdown by percentages of their general fund. We have every city except West Wendover. They are tied up with their budgets and have a problem getting this information at this time. I will give a brief overview of each city in this section.

Boulder City is unique because it has a controlled growth. It is the only city in Nevada that has no gaming. Right now, Boulder City is small and is faced with transportation issues because truck traffic is being diverted from Hoover Dam. When the bridge is completed, the trucks will be going back through Boulder City, and it will have mammoth transportation issues. The City is working on Legislation to allow for tolling which has proven to be effective in other states.

Caliente is a railroad town in the south and has been a "mail rail" from Los Angeles to Omaha. Much of the freight moving to and from California passes through Caliente on a daily basis.

Carlin has a population of 2,400 and its major industry is mining.

Elko has a population of 18,000 and its main economy is gold mining and the associated support industries to mining. Due to the economy of mining, the capital projects in Elko fluctuate greatly from year to year.

Ely was founded on copper mining. Today it is the hub of outdoor recreation areas. Among the most popular recreation sites and historic sites are the Northern Railway Museum, the White Pine Public Museum, the Cave Lake Recreation Area, and the Ward Charcoal Ovens Historic State Monument. Ely has a population of 4,325, and its major industries county-wide are mining, the Department of Prisons, the Bureau of Land Management (BLM), Forest Service, gaming, and tourist-related services. Ely has no current major projects, but has plans for road and street slurry sealing.

Fallon was incorporated in 1908 and is the county seat of Churchill County. The City has a population of 8,300 residents. The nearby Fallon Naval Air Station is home to some 3,000 additional residents, while the population of the entire county averages around 26,000.

Fernley was incorporated in 2001. As of the 2000 census, the population was 8,500, and they were estimating that in 2005 it would double in growth to 16,357. Fernley is the fastest growing city in Nevada. Affordable housing and its proximity to the Reno area has been responsible for much of the growth. It is also known for the Amazon.com shipping source.

Gardnerville was founded in 1879 and has been mostly a ranching community. They have seen a lot of growth due to the migration of Californians coming over to retire and to enjoy the Carson Valley area.

The Gardnerville Ranchos is a General Improvement District (GID) with a population of 11,750. The District's responsibilities include maintaining a water system, sewer collection system, streets, curb and gutter, street lights, parks and recreation, and a storm drain system.

Incline Village is a GID. They provide basic utility and recreational services. The majority of their projects are paid through general bond obligations which are paid through user fees.

The City of Lovelock, known as the "Banana Belt" of Nevada, was established in 1868 and incorporated in 1917. Lovelock has a population of 2,356 and their major industries are farming and mining.

Mesquite's population will hopefully be certified at 18,000 in 2007. The city has experienced a high single- and low double-digit percentage population growth for the past five years. Mesquite's economy has been driven primarily by recreation and retirement sectors. However, there are several small industrial businesses that provide alternative employment for the growing community.

Pahrump is an unincorporated township and does not spend funds on street or storm drainage projects. All gas taxes received are transferred to Nye County which allocates the funds for capital projects in the county.

Spring Creek is one of the largest private homeowner associations in the country. Revenues for Spring Creek are in the form of association fees.

Wells was originally called the Humboldt Wells and was known in 1845 for its lush meadows and natural spring wells. Wells is located at the crossroads of Interstate 80 and US 93, and the Union and Southern Pacific Railroads. Currently, there is an enormous movement in the historic downtown district with renovation on nearly all the buildings to bring back their unique bygone days.

West Wendover has continued to grow since its incorporation in 1991. It is no longer a transient community, but instead a community where raising a family is a reality.

Winnemucca has a population of 7,800 and its largest employer is gold mining. Humboldt County has a large agriculture and service industry employment base. They presently have a recreation trailer manufacturer who is building a regional distribution plant at the airport industrial park.

Yerington is situated along the banks of the Walker River in Lyon County. Its history includes mining and recreational activities. The major industry in Yerington is agriculture.

This gives you an idea of the 18 communities that are presented in our package. Sitting to my right is Steve West who is the City Manager of Winnemucca. If I went through every community with every project they had, it would take more

than 20 minutes. I was not quite sure how in depth you wanted me to go, as to where they get their money, what they spend it on for the fiscal year, and who they are.

Chair Atkinson:
I understand.

Chair McClain:
The money Mr. Fontaine was talking about earlier, the federal funding for the Regional Transportation, does that go straight to the counties and they administer it, or do the cities get any part of it?

Steve West, City Manager, Winnemucca:
I believe you are talking about the 9 cent gas tax. It goes to the county. It is a county option and is shared in some counties by the cities, but the counties have control of that decision. Does that answer your question?

Chair McClain:
No. He was talking about some federal funding for rural regional transportation. It was more in the mass transit area, but does any of that go to the city, or is it strictly countywide?

Steve West:
I do not know how to answer that.

Neena Laxalt:
I also want to introduce in the audience Larry White who is here from the City of Fallon and is the City Engineer. I want to let you know on the presentation, Tab 1 is the spreadsheet, Tab 2 is the introduction and a small briefing on projects within each city, and Tabs 3 through 7 are more in depth details of information I have received from Ely, Elko, Fallon, Winnemucca, and Yerington.

Assemblyman Goicoechea:
Steve, NDOT has approached the City of Winnemucca as well as Humboldt County about trading out some highways for county roads and vice versa. Could you go into that a little bit? It is of interest to the Transportation Committee.

Steve West:
That is correct, Assemblyman. The Department of Transportation, and I know everyone is aware of their financial situation regarding their own infrastructure needs, are suggesting dumping some of that financial obligation onto local

governments. It is a substantial impact for the small rural entities, such as Winnemucca. They are proposing to turn over the maintenance responsibilities to us on quite a number of streets. At Tab 6, there is a summary from the City on our plight that we are facing with gas tax revenues. You should be aware that gas taxes on a percent per gallon basis depend on how high the cost of oil goes. We are very limited with a flat revenue stream while our expenses to maintain our streets are going up dramatically. Just adding that additional burden that NDOT is proposing would have substantial impacts to our budgets.

Chair Atkinson:

Does that answer your question, Mr. Goicoechea?

Assemblyman Goicoechea:

Yes, I wanted to make sure we got on the record that there are some impacts with those exchanges.

Chair Atkinson:

No other questions. Is there any other business to come before this joint committee? Meeting adjourned [2:48 p.m.]

RESPECTFULLY SUBMITTED:

Christine Henricksen
Committee Secretary

APPROVED BY:

Assemblyman Kelvin Atkinson, Chair

DATE: _____

Assemblyman Kathy McClain, Chair

DATE: _____

EXHIBITS

Committee Name: Assembly Committee on Transportation/Assembly Committee on Taxation

Date: March 13, 2007

Time of Meeting: 1:30 p.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Richard Wimmer, Las Vegas Valley Water District	Letter and charts
	D	Richard Wimmer, Southern Nevada Water Authority	Letter and Charts
	E	Jeff Fontaine, Nevada Association of Counties	Nevada's Financing Infrastructure
	F	Jeff Fontaine, Nevada Association of Counties	Churchill County Capital Improvement Financing
	G	Jeff Fontaine, Nevada Association of Counties	Major Capital Improvement Projects for Eureka County
	H	Jeff Fontaine, Nevada Association of Counties	Local Gas Tax chart
	I	Jeff Fontaine, Nevada Association of Counties	Nye County Capital Projects
	J	Jeff Fontaine, Nevada Association of Counties	Capital Improvement Financing Other Counties
	K	Neena Laxalt, Nevada League of Cities	Binder containing spreadsheet; city and county capital improvement project information