

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

**Seventy-Fourth Session
April 26, 2007**

The Assembly Committee on Ways and Means and the Senate Committee on Finance, Joint Subcommittee on Higher Education/CIP was called to order by Chair Morse Arberry Jr. at 8:10 a.m., on Thursday, April 26, 2007, in Room 3137 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 COMMITTEE MEMBERS PRESENT:

Assemblyman Morse Arberry Jr., Chair
Assemblywoman Barbara E. Buckley
Assemblywoman Heidi S. Gansert
Assemblywoman Sheila Leslie
Assemblyman John W. Marvel
Assemblywoman Debbie Smith

SENATE COMMITTEE MEMBERS PRESENT:

Senator William J. Raggio, Chair
Senator Barbara K. Cegavske
Senator Bob Coffin
Senator Bernice Mathews

STAFF MEMBERS PRESENT:

Mark W. Stevens, Assembly Fiscal Analyst
Gary Ghiggeri, Senate Fiscal Analyst
Eric King, Program Analyst
Carol Thomsen, Committee Secretary
Patricia Adams, Committee Assistant

Chairman Arberry indicated that the Subcommittee would hear presentations from the Public Works Board beginning with the Department of Administration, CIP 07-C85. The Chairman asked Mr. Nunez to commence with his presentation.



Department of Administration
CIP 07-C85 – Demolition of Clear Creek Youth Center

Gustavo Nunez, Manager, Public Works Board (PWB), stated that the first project was demolition of the existing facilities at the Clear Creek Youth Center. Mr. Nunez referenced the vicinity map included in the PowerPoint presentation, [Exhibit C](#), which depicted the location of the facilities and the boundary of the property. The map also depicted the easement for the proposed interchange from Highway 50 that the Nevada Department of Transportation (NDOT) was in the process of completing.

Mr. Nunez indicated that the exhibit also contained an overview and scope of the budget. The demolition would be funded through the remaining balance of the Clear Creek CIP 01-M5 and would include the demolition of the remaining structures. Mr. Nunez stated that the water system would remain to preserve the water rights and also to provide temporary irrigation that was planned to aid erosion control. The demolition was 100 percent state-funded and there were no items planned to be deferred.

Senator Raggio asked whether there would be any structures remaining upon completion of the demolition. Mr. Nunez replied that there would be no remaining structures. Senator Raggio noted that the State had water rights with the property, which contained two wells. He asked whether the wells would be maintained.

Mr. Nunez said that the wells would be maintained in the interim and would be used to provide temporary erosion control. Senator Raggio asked whether it would be necessary to enclose or fence the area. Mr. Nunez said that the PWB was working with the Risk Management Division to ensure that after the demolition was complete, nothing would remain on the site to create a liability for the State. As the project moved forward, the PWB would review the site with representatives of the Risk Management Division to ensure that no liability existed. Mr. Nunez stated that the PWB had not contemplated fencing the property.

Senator Raggio commented about the new interchange that was under construction by NDOT, and he asked whether that construction would interfere with the utilization of the property in the future.

Mr. Nunez reported that an easement ran through the property. Senator Raggio said he understood, but wondered whether there would be access from the interchange onto the property. Ms. Nunez replied that there would be access and the interchange would be maintained by NDOT.

Senator Raggio asked whether there was some way to reduce the demolition costs for the project. He asked whether the PWB had explored the possibility of using the structures for fire department training exercises. Mr. Nunez said that the PWB would check with the fire department to see whether that could be done. Senator Raggio noted that fire departments often looked for demolition projects for training opportunities, which might reduce the cost of demolition. Mr. Nunez stated that the Clear Creek was located in a high-risk fire area, but the PWB would check with the fire department.

Senator Mathews said that she was amazed at how quickly the PWB put the \$1.6 million to work for demolition of the structures, when no action had been taken in the past to repair the roof of the structures and save the facility.

Senator Mathews stated that she was dismayed that the Clear Creek Youth Center was slated for demolition. The other person who had even stronger feelings about the property than Senator Mathews was the late Senator Lawrence "Jake" Jacobsen. She believed that Senator Jacobsen would also have been dismayed that the buildings were slated for demolition.

Senator Mathews opined that any money remaining after the demolition of the Clear Creek Facility should be spent on maintenance of the Stewart Facility. She concurred with Senator Raggio's comments about use of the facility for training exercises by the fire department to demolish the structures. Senator Mathews asked that her remarks be made a part of the record.

Chairman Arberry asked Mr. Nunez to continue his presentation regarding the demolition of Clear Creek Youth Center.

Mr. Nunez explained that the PWB had fixed roofs at Clear Creek, but had not maintained the structures, and unfortunately there was not sufficient funding to address the needs of the structures. It would be more economical to replace the structures rather than repair them to a useable condition.

Senator Mathews commented that the PWB was aware that the facility needed repairs, and over the past 13 years, the Legislature was also aware of the needed repairs. She felt that something should have been done to preserve the facility, not only the roof, but the structures themselves.

Senator Coffin noted that the Legislature was partly at fault because it did not take action to maintain the structures. Senator Coffin indicated that the late Senator Jacobsen cared a great deal about the Stewart facility. Among the errors made by the PWB, perhaps the Clear Creek Youth Camp could be counted as one.

Chairman Arberry asked Mr. Nunez to continue his presentation.

Mr. Nunez explained that representatives were present from the Division of Buildings and Grounds (B&G) to answer questions from the Subcommittee if necessary.

According to Mr. Nunez, CIP 07-C85 was planned for completion by November 2007. The structures were approximately 47 years old and had definitely exceeded the designed life of the structure, which was approximately 30 years. Mr. Nunez stated that B&G had been unable to lease the facility because of code issues and the cost of repairs. Because repairs would cost more than demolishing the facility, the PWB proposed the demolition of the existing structures.

Chairman Arberry asked whether there were further questions about CIP 07-C85 and, there being none, asked Mr. Nunez to continue his presentation.

Department of Corrections
CIP 07-C86(B)—Emergency Housing

Mr. Nunez explained that CIP 07-C86(B) addressed temporary emergency pre-engineered housing units for the Nevada Department of Corrections (NDOC). The units would be located at the Southern Desert Correctional Center (SDCC), Southern Nevada Women's Correctional Center (SNWCC), and the Northern

Nevada Correctional Center (NNCC). Mr. Nunez further explained that CIP 07-C86(B) was the second step of a two-step process to complete the project. The first step was introduction of S.B. 190, which would provide funding for the design and construction of the housing units.

Mr. Nunez referenced the vicinity map and site plans for SDCC, SNWCC, and NNCC, included in [Exhibit C](#), which depicted the site and location of the pre-engineered housing units at each facility. According to Mr. Nunez, the project would go out to bid during the summer of 2007.

The scope of the project included construction of two units at SDCC, one unit at SNWCC, and one unit at NNCC. Mr. Nunez indicated that the project would consist of four, 23,475 square-foot housing units, each accommodating 240 beds. The PWB planned on utilizing the design-built delivery method to meet the completion dates depicted in [Exhibit C](#):

- SDCC planned completion January 18, 2008, and January 31, 2008
- SNWCC planned completion February 2008
- NNCC planned completion March 2008

Mr. Nunez indicated that the PWB would request authority from the Legislature to direct select the design-builder to proceed with the project. Part of the funding from S.B. 190, if approved, would allow the PWB to proceed with direct selection of the design-builder, thereby eliminating the usual three-to four-month selection process and delaying the project.

Senator Raggio explained that S.B. 190 was heard by the Senate Committee on Finance, and the bill would be processed as soon as possible. The bill had been amended, and Senator Raggio anticipated utilizing the emergency measure process to move the bill to the Assembly as quickly as possible. As indicated by Mr. Nunez, S.B. 190 provided the funding to accommodate the four housing units.

Senator Raggio stated that he wanted to confirm on record that two housing units would be constructed at SDCC, but a third facility for dining would not be necessary. Mr. Nunez replied that was correct. Senator Raggio asked whether the units were prefabricated. Mr. Nunez explained that the housing units were pre-engineered.

Senator Raggio referenced the schedule for completion of the housing units, and asked whether the January 2008 completion dates for construction of the housing units at SDCC was realistic, providing S.B. 190 passed by the end of April. Mr. Nunez confirmed that the units could be completed as indicated.

Senator Raggio understood that the unit at SNWCC would include both male and female offenders, and he asked whether the unit would include the necessary features to accommodate the special needs of both the male and female populations. Mr. Nunez stated that Mr. Skolnik was present from the NDOC, and perhaps he could explain the plan. Senator Raggio wanted confirmation that the funding included in S.B. 190 would accommodate the division of the housing unit, and no further funding would be required in the future.

Howard Skolnik, Director, NDOC, explained that the two housing units at SDCC and the one unit at NNCC would house male inmates and assist the NDOC with its overcrowding problem. The unit at SNWCC would house only women offenders.

Senator Raggio asked whether the units at SDCC would include both male and female offenders. Mr. Skolnik stated that there would be one unit at SNWCC to house female offenders, and two units at SDCC to house male offenders. The NDOC had discussed the possibility of placing female offenders in the unit at SDCC until the unit at SNWCC was completed. Senator Raggio asked whether that would be done. Mr. Skolnik said the NDOC would utilize the units at SDCC to house female offenders pending the completion of the unit at SNWCC, if the situation warranted. Senator Raggio asked whether the NDOC would need additional money to separate the populations. Mr. Skolnik stated that additional funding would not be necessary.

Senator Mathews asked for an update of the conditions of the buildings at the Stewart Facility. Mr. Nunez indicated that he would comply with that request.

Chairman Arberry asked whether there were further questions to come before the Subcommittee about CIP 07-C86(B) and, there being none, directed Mr. Nunez to address the next item.

Nevada System of Higher Education
CIP 07-C09—Science Engineering and Technology Building

Chairman Arberry asked Mr. Nunez to provide a list of the furniture, fixtures, and equipment (FF&E) to LCB staff for each of the recommended projects for the Nevada System of Higher Education. Mr. Nunez stated he would comply with that request.

Mr. Nunez explained that CIP 07-C09 addressed the science and engineering building on the University of Nevada, Las Vegas (UNLV) campus. Mr. Nunez stated that [Exhibit C](#) included the FF&E costs and the cost for completion of improvements. The exhibit contained both a vicinity map and an aerial map of the construction site.

The total budget for the project was \$21,022,409, which provided for the completion of the existing project and FF&E costs for a 200,000 square-foot lab building. Mr. Nunez stated that construction included fume hoods, carriers, and casework for the labs. The project was 100 percent state-funded, and no items were planned to be deferred.

Mr. Nunez pointed out that the cost did not include tenant improvements on the fourth floor per a prior agreement with UNLV that was approved by the Interim Finance Committee (IFC).

Assemblywoman Buckley said that at the January 2006 IFC meeting, the PWB indicated that a request for \$14 million for furniture and equipment would be presented to the 2007 Legislature. At that time, it appeared that \$7 million would be needed for laboratory casework, and the remaining \$7 million would be for furniture and equipment. Ms. Buckley noted that the current request was for a total of \$21,022,409, and she asked what had caused the cost increase for the project.

Mr. Nunez explained that the cost increase was based on new cost estimates and the addition of current inflation costs. Ms. Buckley asked about the cost of furniture and whether inflation caused the increase in furniture costs. Mr. Nunez explained that the FF&E cost was \$4,732,113, and the construction cost to complete the lab had increased to \$13,832,000.

Chairman Arberry said the Subcommittee's concern was that information provided to the IFC in January 2006 was that \$14 million would be required to finish the project. Now, the request was for \$21,022,409 to complete the project, with \$13,832,000 included for constructions costs, and the Subcommittee was not aware of the reason for the increase in cost.

Mr. Nunez stated that the construction cost of \$13,832,000 was needed to complete construction of the lab, including the fume hoods, carriers, and casework. Chairman Arberry asked Mr. Nunez to provide LCB staff with a breakdown of the construction costs. Mr. Nunez indicated that he would provide that information to staff.

Chairman Arberry said the difference in costs was puzzling to the Subcommittee because the project had increased from \$14 million to over \$21 million, which was a significant increase. Mr. Nunez said that most of the increase was because of inflation and also because there was now better knowledge of what would be needed to finish the project.

Senator Raggio asked whether FF&E items had been added since the original proposal to the IFC of \$14 million. Mr. Nunez said that the PWB received the original estimate from UNLV, and after review the PWB arrived at the FF&E costs of \$4,732,113. He stated that the amount was derived from actual line items of the entire FF&E package.

Senator Raggio asked whether additional items that were not originally contemplated had been added to increase the cost, and Mr. Nunez indicated that most of the increase was based on inflation. Senator Raggio wondered whether the estimate that was provided by UNLV was a low-ball estimate and the cost increased based upon the review by the PWB.

Mr. Nunez explained that the PWB reviewed the estimate submitted by the University and increased the costs in the construction line items based on inflationary costs.

Senator Raggio said that for the Nevada System of Higher Education (NSHE) projects, it appeared that IFC was receiving "low-ball" estimates that were not immediately reviewed by the PWB. He also wondered whether IFC and the Legislature would continue to receive different costs for projects, and if so, there needed to be better correlation and review by the PWB earlier in the process so that when the projects were approved the estimates would be more accurate. Senator Raggio stated that was particularly important for FF&E costs, which continued to increase by at least half of the original estimate.

Mr. Nunez reported that the PWB had received the estimates approved by the Board of Regents during the CIP process in 2006. After receipt of the documents, the PWB reviewed the estimates, and in a majority of cases, the PWB increased the estimates presented by the Board of Regents because the costs as submitted were not adequate to meet the needs.

Senator Raggio asked which part of the cost was updated because the PWB found the estimates from the Board of Regents to be faulty or “low-ball” estimates, and which portion of the increase was based on inflation. Mr. Nunez indicated that he did not have access to the estimates from the Board of Regents or the figures from the PWB that adjusted the costs at the meeting.

Senator Raggio said that he was interested in the FF&E costs rather than the construction costs. Mr. Nunez explained that he did not have the figures that were originally submitted for FF&E costs with him at the meeting. Senator Raggio noted that Mr. Nunez had previously indicated that the PWB reviewed the figures for FF&E costs upon receipt of the estimate from the Board of Regents and increased the amounts at that time because the estimates were not sufficient to meet the needs. Senator Raggio asked how much was added to the estimates.

Mr. Nunez indicated that his earlier remarks referred to the figures for the total project budget, and he was not sure whether FF&E costs were increased or whether construction line items were increased. Mr. Nunez offered to look at the original estimate and determine where amounts were increased.

Senator Raggio said the reason he was concerned was that if the original FF&E costs were increased for every project, the Legislature wanted an explanation as to why that was occurring.

Gary Bomotti, Vice President for Finance and Business, UNLV, commented that the FF&E portion of the project was not the piece that increased. The piece that increased was the finish work on the laboratories, which was the construction line item in the budget. At the time the contract was awarded in fall of 2005, it contained only estimates for the finish work. Mr. Bomotti indicated that when the contractor provided the actual figures to UNLV and the PWB, the estimates of the actual construction to finish the labs increased significantly. The FF&E costs did not change significantly, but the construction piece had increased.

Senator Raggio assumed that FF&E meant furniture, fixtures, and equipment, rather than construction. He noted that the project included \$2.8 million additional costs for laboratory carriers, and he asked for an explanation of laboratory carriers.

Mr. Bomotti explained that laboratory carriers were the system that serviced all research labs with utility-type aspects, such as water, gas, electric, data communication, and so forth. The carriers served the entire lab structure for the building. Senator Raggio thanked Mr. Bomotti for the information.

Chairman Arberry said his concern was that the contractor provided an additional bid for the finish work that apparently was not included in the original bid. Mr. Bomotti said at the time the contract was awarded, the completion of the labs was not included. The UNLV received additional bids, one of which was to finish the fourth floor, which was funded by the University from indirect cost recoveries. Mr. Bomotti indicated that the contractor had not escalated the price, but rather the price of the finish work was in addition to the original contract, and the cost to finish the labs had increased significantly.

Chairman Arberry asked whether it would have been more cost-effective to put the contract out for bid for the finish work for the labs rather than allowing the current contractor to offer the only bid. Mr. Nunez explained that the current

contract would be completed in December 2007, and the PWB would rebid the contract for the finish work. The current contractor indicated to the PWB that the company was not interested in the finish work on the labs. Mr. Nunez believed that it would be more cost efficient to rebid the project.

Chairman Arberry asked whether there were further questions on CIP 07-C09 and, there being none, the Chair asked Mr. Nunez to continue his presentation.

Nevada System of Higher Education
CIP 07-C10—Knowledge Center-FF&E

Mr. Nunez stated that [Exhibit C](#) contained a picture of the University of Nevada, Reno (UNR) Knowledge Center upon completion, a vicinity map of the building on the UNR campus, and an aerial photo of the site.

Mr. Nunez indicated that the budget for CIP 07-C10 was \$18,950,552, which provided for the completion of CIPs 01-C24 and 05-C05. The project was 100 percent state-funded and included a request for an exemption from the bidding requirements contained in *Nevada Revised Statutes* (NRS) Chapter 338 for the Automated Storage and Retrieval System (ASRS). Mr. Nunez stated that no items were planned to be deferred.

Regarding the request for exemption from NRS Chapter 338, Mr. Nunez explained that in 2001 when the design of the building commenced, both the architect and the PWB were aware of only one vendor who specialized in library installations—HK Systems. Mr. Nunez stated that HK Systems had also recently completed the ASRS for the UNLV Lied Library project. As a result, the architect relied upon technical assistance from HK Systems in formulating the overall size and configuration for the ASRS at the UNR Knowledge Center. During later phases of the design, the architect relied on HK systems to assist in development of structural design loading and placement of foundation/slab reinforcing rebar.

Mr. Nunez reported that HK Systems continued to be the only ASRS vendor who had installed more than one library installation in the country, having installed 12 systems throughout the United States at the present time, with the 13th system currently under construction.

At the current time, the PWB believed it would be prudent to negotiate with, and direct-select, HK Systems to complete the library installation rather than going through a bidding process that would end with only one bidder. Mr. Nunez recommended that the PWB be allowed to direct-select HK systems for the library installation.

Chairman Arberry said the major concern about CIP 07-C10 was the furniture, fixtures, and equipment (FF&E) costs. In 2005, the estimated FF&E cost for the project was \$15.7 million and in 2007, the cost increased to approximately \$17.8 million. The Chairman asked why there had been a \$2.1 million increase in the estimated FF&E cost.

Mr. Nunez reported that the increase of approximately \$2.1 million for FF&E costs was based on inflation. The estimate submitted by the Board of Regents was reviewed by the PWB, at which time inflationary costs were added to bring the project up-to-date. Mr. Nunez believed that the overall budget cost of \$18,950,552 represented the actual costs of the project.

Chairman Arberry asked whether the PWB included inflation costs when it estimated the cost of a project. Mr. Nunez replied that, typically, the PWB estimated current-day construction costs projected forward to the date of purchase for the contract.

Chairman Arberry asked whether the University System had provided the figure for FF&E costs of \$15.7 million. Mr. Nunez replied that was correct. Chairman Arberry asked whether the PWB had arrived at the current FF&E costs of \$17.8 million. Mr. Nunez replied that the figure of \$17.8 million was the figure provided by the PWB, as was the total project cost of \$18,950,552.

Chairman Arberry asked why accurate FF&E costs were not provided to the Legislature during the 2005 Session. Mr. Nunez explained that the PWB reviewed the costs, and based on prior history, the numbers were adjusted to reflect current costs, and inflation was computed through completion of the project.

Mr. Nunez further explained that during the 2005 Session, the figures reviewed by the Legislature were actually developed in 2004. The costs for a project were typically developed by the PWB approximately one year before presenting the project to the Legislature. At that time, Mr. Nunez said, the PWB had not anticipated the high rates of inflation experienced by the State over the past several years.

Chairman Arberry stated that when the University System provided figures for projects that the PWB was aware would not be initiated for approximately two years or longer, the PWB should advise the University System that the figures were not correct because inflation costs had not been included. The Legislature should also be put on notice that the costs for inflation were included in the budgets, but might increase based on the rate of inflation at the time the project commenced.

Chairman Arberry commented that the Legislature was constantly being told that the increase in CIP costs was based on inflation. The estimators working for the PWB were well aware that inflation costs should be added to every project, but the figures provided to the Legislature were consistently lower than the actual cost to complete the projects. Chairman Arberry indicated that inflation should be included in the project cost from the agency so that the Legislature was better able to budget for CIP costs.

Senator Coffin noted that the rate of inflation in southern Nevada had increased. Had he known in 2003-04 that there were major construction projects in the works, perhaps he could have foreseen the current 14 percent to 15 percent inflation rate, but he was not able to predict future inflation rates, nor could the University or the PWB predict future inflation rates. Senator Coffin remarked that every project under construction in southern Nevada was facing the same inflationary increases. There were no skilled tradesmen available in southern Nevada because the construction projects hired only union labor, and everyone in the union was already employed.

Senator Coffin stated that the only way a contractor would bid a job was if all parties involved were aware of the labor costs. Most contractors knew that their construction workers would be employed by other contractors if they failed to keep their workers on jobs. Senator Coffin noted that the State was competing in that market for the same pool of workers and that factor only addressed the labor costs of inflation. According to Senator Coffin, people had

to see the size of the construction projects in southern Nevada to understand why the cost of construction was on the rise.

Chairman Arberry commented that the construction project involving the CityCenter in Las Vegas was estimated to cost approximately \$7 billion, and when that project was close to completion, the contractor certainly would not tell the owners that the cost had doubled to \$14 billion because of inflation. The project would be completed at the cost of \$7 billion, including inflation costs. Chairman Arberry said his point was that the contractors were aware that CIP projects were State projects, so they bid low then increased the cost based on inflation.

Senator Coffin said the problem was that the projects for the State were relatively small in comparison to the several billion dollar construction projects in Las Vegas. Unfortunately, the PWB and the entities estimating the cost for projects in the future could not predict the rate of inflation in the construction industry.

Assemblywoman Buckley stated that she completely understood the Chairman's frustration at the increased cost of the CIP projects. She indicated that she was also frustrated, and she hoped that legislation to reform the system would move forward during the 2007 Session. Ms. Buckley commented that the Legislature was aware that labor costs could fluctuate, but the PWB should have the ability to estimate FF&E costs more accurately. Ms. Buckley asked the PWB to furnish the Subcommittee with a list of items that would be purchased under the FF&E costs for the Nevada System of Higher Education so the Subcommittee would be aware of the reason the costs had increased.

It was obvious to Ms. Buckley that the State needed a new process because the Subcommittee addressed the same issues every session with CIP projects. She asked that the University System and the PWB work together to present the actual costs of the projects so that the Legislature was aware of what was being funded. That would alleviate allegations that costs were being padded or added, and the Legislature would receive a true accounting of the costs. Ms. Buckley believed that if the projects then encountered cost overruns or changes, the Legislature could advise the contractor that the project had to be completed within the estimated cost.

Ms. Buckley noted that there were faults on both sides, and it was not simply a University issue or a PWB issue, but the Legislature was no longer willing to continually increase the cost of CIP projects. Simply informing the Legislature that issues had arisen or changes had been made in projects that increased the cost was no longer acceptable. The Legislature had to know the true scope and cost of the projects in the beginning, so that when it agreed to fund projects, the cost would not continually increase.

Ms. Buckley opined that the current practice had to stop, and the first time the Legislature refused to pay the additional costs of a project would probably be the last time it had to take such action. Once the Legislature refused to fund costs that were not included in the original agreement, Ms. Buckley felt that the action would put a stop to the "games" that were currently being played.

Senator Coffin remarked that the system worked very well at UNLV. The Lied Library project was controversial because of the structural and cosmetic problems. Senator Coffin said he was discouraged during the 2005 Session because UNR had failed to include the costs of the ASRS. He encouraged UNR

to include those costs in the project because the ASRS worked so well at UNLV. Senator Coffin said that he had spoken to persons at the library and information technology persons who supported the system, and everyone reported that HK Systems provided excellent service and that the system itself did not require a great deal of work. Senator Coffin assumed that UNR would benefit from the knowledge of persons at UNLV who had worked with the system. Senator Coffin believed that a sole-source purchase agreement for the ASRS was appropriate.

Senator Cegavske agreed with Chairman Arberry and Assemblywoman Buckley that it was very frustrating when the cost of projects increased after being approved by the Legislature.

Senator Cegavske stated that she had formerly been involved in the school district and had listened to construction issues facing school boards, which continued to date. After having approved the cost of a project, quite often the school boards had to consider change orders and increasing costs for the projects.

Senator Cegavske believed that contractors were aware that they could submit change orders and increase the cost of government projects because such action was quite often approved. Senator Cegavske said that while the Legislature was considering issues that should be reviewed over the interim, perhaps the CIP issue should be included on list of interim studies.

Mr. Nunez stated the Maud Naroll, Chief Planner, Budget and Planning, Department of Administration, would like to make a statement.

Ms. Naroll explained that she had been watching the CityCenter construction project in Las Vegas very carefully, because the project was exempt from paying local school support tax for construction materials. The project was originally listed as a \$7 billion project, but the project's website now indicated that it was a \$7.4 billion project. Ms. Naroll commented that even in private construction there was an element of inflation and cost increases. In the past, the PWB projected only 5 percent inflation for projects in southern Nevada and currently, the PWB was projecting 14 percent inflation, which was built into every project.

Chairman Arberry asked whether there were further questions regarding CIP 07-C10 and, there being none, the Chairman asked Mr. Nunez to address the next project.

Nevada System of Higher Education
CIP 07-C11 – Math and Science Center-FF&E

Mr. Nunez stated that CIP 07-C11 was the UNR Davidson Mathematics and Science Center. Mr. Nunez referenced [Exhibit C](#), which included an architectural rendering of the completed project, the vicinity map of the project on the UNR campus, and an aerial view of the site. Mr. Nunez indicated that the budget for the project was \$10,812,924, which would provide for the completion of CIP 05-C68L and included the cost for furniture, fixtures, and equipment (FF&E) for the 92,000 square-foot building. The project was 100 percent state-funded and design costs were for FF&E selection, and development of bid documents.

Chairman Arberry said the concern was with cost comparison of FF&E expenses. The recommended 2007 CIP for furniture and equipment for the 92,000 square-foot UNR building was \$142.88 per square-foot. By way of comparison, the cost for FF&E for the 205,000 square-foot UNLV building was budgeted at \$76.90 per square-foot. Chairman Arberry asked why there was such a large difference in the FF&E costs between the two buildings.

Mr. Nunez explained that the two projects addressed different types of buildings and estimating FF&E on a per-square-foot cost was not an accurate indicator. The proof-of-cost would be in the actual detail of each piece of equipment or furnishings selected for each building. Mr. Nunez stated that the PWB would provide an itemized list of the FF&E costs to the Subcommittee. The itemized lists were developed from the budgets for each building. Mr. Nunez indicated that LCB staff would find that some items were slightly higher in cost, and in some cases, the FF&E costs would have to be scaled back to fit the budgeted cost.

Chairman Arberry asked whether it might be easier to combine the FF&E costs for the buildings, which might produce lower costs. Mr. Nunez believed that FF&E costs might be less if the projects were combined, but the projects were bid separately because they were received from the Board of Regents as two separate projects. The projects were also prioritized by the Board of Regents, and the PWB agreed that it would not change the sequence of priorities. Therefore, the projects remained in the order of receipt to accommodate the request of the Board of Regents. Mr. Nunez said that the PWB would prefer to combine the FF&E costs.

Chairman Arberry pointed out that to make the projects more cost-effective, the PWB should recommend combining the FF&E costs on similar projects. Even though the Board of Regents had prioritized the projects, it would be more cost-effective to combine the costs.

Mr. Nunez explained that even though projects were under separate CIP numbers, sometimes the PWB found it was more advantageous to award one contract for two CIP projects. That action was automatic when the PWB determined that it would be more cost-effective. Mr. Nunez indicated that the PWB made sure that the contract was awarded in such a way that the monies for each CIP could be tracked separately under each contract.

Chairman Arberry noted that staff members of the PWB worked more closely with the actual projects than the Legislature. The Legislature was attempting to save as much money as possible for each project and could not accept increased FF&E and other costs, based on the revised revenue projections for the upcoming biennium. Chairman Arberry stated that the Legislature was asking that the PWB bid projects in the most cost-effective manner possible and avoid increases in costs.

Chairman Arberry asked whether CIP 07-C11 would be completed in December 2009. Mr. Nunez indicated that the completion date for CIP 07-C11 was January 2010. Construction was underway on the new greenhouses, and once those were completed, the old greenhouses at the original location would be demolished and the building construction would commence.

Assemblywoman Buckley indicated that she would like additional information about the difference between the FF&E costs for the UNR and UNLV buildings, as referenced by Chairman Arberry. Ms. Buckley said she would also like

additional justification for the increased costs. Mr. Nunez explained that the PWB had an itemized list of every piece of equipment with the estimated costs and the total costs, and he would provide that list to Subcommittee members.

Chairman Arberry asked whether there were further questions on CIP 07-C11 and, there being none, asked Mr. Nunez to continue his presentation.

Nevada System of Higher Education
CIP 07-C12—Academic/Student Services-FF&E

Mr. Nunez reported that a bill had been introduced that would allocate approximately \$30 million for a nursing school at Nevada State College. The PWB received a request from the President of the College and the Chancellor of the Nevada System of Higher Education (NSHE) to use any excess monies from CIP 07-C12 for planning for the nursing school. Mr. Nunez stated that the Governor recommended using any excess funding in CIP 07-C12 for furniture, fixtures, and equipment (FF&E) costs, but no monies were to be used for planning for a project that would be built during the 2009 CIPs.

Mr. Nunez said the PWB would revert monies based on the bid results for the present project that was under construction at the Nevada State College (CIP 07-C12) because the contract for the project had been awarded below budget. Part of the money from the contract would revert, and the PWB would request that part of the excess funds be used for FF&E costs. Mr. Nunez explained that the current request would be reduced. The PWB would analyze the FF&E costs that would be funded with money from the existing project and reduce the cost on CIP 07-C12 by that amount.

Chairman Arberry said, as he understood the situation, that the contract had been awarded under cost and the PWB wanted to revert a portion of the excess funding. Mr. Nunez explained that the bids for the current project came in below budget, and the excess funds would be used for the FF&E requested under project 07-C12 and, therefore, the costs of the project could be reduced. Mr. Nunez stated that the PWB would provide an adjustment to the Subcommittee for CIP 07-C12 based on recent information.

Chairman Arberry said that he thought the remaining money would be used as planning and design money for the proposed nursing school. Mr. Nunez stated that the Governor's recommendation on project 07-C12 was to use whatever funds needed for FF&E from the recommended \$4,481,169, but the Governor did not recommend that excess money from CIP 07-C12 be used for planning a future project that would be funded in 2009.

Christian Chimits, Interim Deputy Manager, PWB, wanted to make sure that the Subcommittee was aware that money would revert under CIP 07-C12. Chairman Arberry thanked Mr. Chimits for his comments.

Chairman Arberry asked whether there were other questions about CIP 07-C12 and, there being none, the Chairman instructed Mr. Nunez to commence discussion of CIP 07-C13.

Nevada System of Higher Education
CIP 07-C13—Classroom Building, West Charleston-FF&E

Mr. Nunez indicated that CIP 07-C13 was the library/classroom building at the West Charleston campus of the Community College of Southern Nevada (CCSN). Mr. Nunez referenced [Exhibit C](#), which included an architectural rendering of the completed building, a vicinity map of the location of the building, and an aerial map of the site.

Mr. Nunez stated that the total budget was \$4,481,169, which provided for the completion of CIP 05-C20C, and included the furniture, fixtures, and equipment (FF&E) costs for a 78,000 square-foot building. The project was 100 percent state-funded and no items would be deferred. The planned completion of the project was scheduled for April 2008.

Chairman Arberry pointed out that in November 2005, the PWB approached IFC and requested \$3.7 million for FF&E costs for the project, which was approved. The FF&E costs have increased to \$4.5 million, and the Chairman asked why the costs had increased.

Mr. Nunez said that in November 2005, the PWB submitted the request for FF&E costs for the project based on its best estimate. The PWB had an itemized list of the FF&E items and costs, which equaled \$4,481,169 total.

Chairman Arberry asked when the FF&E funds would actually be used. Mr. Nunez explained that the equipment would be ordered approximately ten months before the project was completed. The PWB would undoubtedly put the contract for equipment out to bid as soon as the Legislature approved the project. Mr. Nunez stated that the equipment and furniture would then be available when the construction project was complete.

Chairman Arberry asked whether the PWB would request additional funding based on inflation when the items were received in approximately ten months. Mr. Nunez said that the inflation costs were built into the cost of the equipment.

Senator Raggio commented that the project had been discussed several times in the past, and the original project did not contain a library and classroom building. In November 2005 the IFC clarified the scope of the project to include a library and classroom space, and in January 2007 the IFC approved an increase in the building's size from 65,000 square-feet to 78,486 square-feet.

Senator Raggio pointed out that at the January 2007 IFC meeting, the PWB assured the IFC that the project could be completed with the additional square footage without an increase in the cost of the project. Mr. Nunez stated that was correct. Senator Raggio asked whether the bids had come in. Mr. Nunez said the bids were in and the project was presently under construction.

Chairman Arberry asked whether there were further questions on CIP 07-C13 and, there being none, the Chairman asked Mr. Nunez to continue his presentation.

Nevada System of Higher Education
CIP 07-C14 – Transportation Technology-FF&E

Mr. Nunez explained that CIP 07-C14 included the furniture, fixtures, and equipment (FF&E) package for the transportation technology building at the Cheyenne campus of the Community College of Southern Nevada (CCSN).

Mr. Nunez referred to [Exhibit C](#), which contained an architectural rendering of the building upon completion, a vicinity map of the Cheyenne campus, and an aerial map of the site.

The budget total for FF&E was \$2,621,789, which provided for completion of CIP 05-C66L. Mr. Nunez stated that the FF&E package was for a 35,000 square-foot transportation technology building. The project was 100 percent state-funded, and no items were planned to be deferred.

Chairman Arberry said the concern was the \$1 million in donations for furnishings and equipment, and he wondered whether the donation had been made.

Patricia Charlton Dayar, Vice President of Finance & Budget, CCSN, reported that the PWB had received the full \$1 million donation.

Chairman Arberry thanked Ms. Dayar for her comments.

Senator Raggio noted that the original size of the building was 30,000 square-feet, which had been increased to 35,000 square-feet, and he asked how the building was increased in size without authorization.

Mr. Nunez noted that increasing the building to 35,000 square-feet should have been approved by the IFC. Senator Raggio asked whether a portion of the FF&E funds had been used to increase the size of the buildings. Mr. Nunez explained that when the PWB received the project, it had a number and title and no action details were included.

Senator Raggio stated that LCB staff would research the project and report to the Subcommittee.

Chairman Arberry asked whether there were further questions regarding CIP 07-C14.

Assemblywoman Buckley asked how the size of the building was increased without additional funding.

Mr. Nunez explained that the original construction project did not go through the regular CIP process. The project was added to the CIP list by the Legislature, and the PWB received the number, the title, and an amount.

Ms. Buckley indicated that the 2005 Legislature approved a 30,000 square-foot building, which was changed to a 35,000 square-foot building without further action by the Legislature or the IFC in the interim. She asked under what authority the building was increased in size and what funds were being assumed to accommodate the increase.

Mr. Nunez stated that the dollar amount did not change. Ms. Buckley asked whether the numbers were wrong because it cost more to build a larger building. Mr. Nunez agreed that when the square footage increased, the cost also increased; however, when the PWB received notice that the project was approved by the Legislature, the only information available to the PWB was the project number, CIP 05-C66L, the title, and the dollar amount. The PWB did not receive a detailed scope of the project from the Legislature.

Chairman Arberry asked whether there were further questions on CIP 07-C14 and, there being none, the Chairman asked Mr. Nunez to continue his presentation.

Nevada System of Higher Education

CIP 07-C15—Electrical & Industrial Technology Building-FF&E

Mr. Nunez explained that CIP 07-C15 was the furniture, fixtures, and equipment (FF&E) costs for the electrical and industrial technology building at the Great Basin College (GBC) in Elko. Mr. Nunez referred to [Exhibit C](#), which included an architectural rendering of the completed building, a vicinity map of the building location on the GBC campus, and an aerial map of the site.

Mr. Nunez indicated that the budget totaled \$1,761,546, which provided for the completion of CIP 05-C18. The project was 100 percent state-funded, and there were no items to be deferred.

Senator Cegavske asked about the Pahrump facility and where that project was on the PWB's list of priorities. Mr. Nunez indicated that representatives were present from GBC and perhaps they could address that issue.

Carl Diekhans, Vice President of Administrative Services, GBC, stated that the Pahrump facility was number 19 on the Board of Regents' priority list, but it was the number 1 project for GBC, after the FF&E costs for CIP 07-C15. The project was previously on the Board of Regents' priority list through CCSN, and there were people present from Nye County and Pahrump who would like the opportunity to speak on behalf of the Pahrump campus.

Senator Cegavske noted that the Pahrump campus project had been set aside many times in the past, and she asked that the persons in the audience be allowed to testify. Chairman Arberry indicated that he would open public comment after completion of the presentation by the PWB.

Chairman Arberry asked whether there were questions from the Subcommittee on CIP 07-C15 and, there being none, the Chairman asked Mr. Nunez to continue his presentation.

Nevada System of Higher Education

CIP 07-C16—Greenspun Completion

Mr. Nunez explained that CIP 07-C16 addressed the furniture, fixtures, and equipment (FF&E) package to complete the UNLV Greenspun College of Urban Affairs building. The project also included the funding needed for silver certification of the building under the standards developed by the Leadership in Energy and Environmental Design (LEED). The Greenspun College of Urban Affairs was one of two buildings recommended by the PWB under the provisions of Assembly Bill (A.B.) No. 3 of the 22nd Special Session.

Mr. Nunez stated that [Exhibit C](#) contained an architectural rendering of the building upon completion, a vicinity map of the facility, and an aerial map of the site. The budget of \$19,362,043 included furnishings, equipment, and LEED construction costs. The project completed CIP 05-C16 and provided the FF&E package for the 120,769 square-foot building. Mr. Nunez explained that the CIP was 100 percent state-funded, and no items were planned for deferral. The project was 20 percent completed and was scheduled for completion in June 2008.

Chairman Arberry pointed out that the project did not request an increase for inflation, and the Chairman wondered whether inflation costs were previously built into the project. Mr. Nunez stated that the project went out to bid in the fall of 2006 and the contract was awarded in December 2006. At that time the construction budget included \$14.7 million redirected from FF&E funding by the IFC in November 2006, which the PWB believed would be adequate to address inflation costs.

Chairman Arberry asked about the advantages of the LEED construction and certification at a cost of \$4.5 million. Mr. Nunez explained that the PWB appeared at the IFC in November 2006, asking to include FF&E costs of \$14.7 million in the construction budget, so that the contract could be awarded and to avoid inflation costs from late-2006 to the time the 2007 CIP request for \$19,362,043 to complete the project was approved.

Chairman Arberry indicated that his question was about the LEED construction costs. Mr. Nunez said that the standards encompassed design and construction. Chairman Arberry asked why the additional \$4.5 million was needed. Mr. Nunez explained that the PWB had used the \$14.7 million FF&E funding in the original CIP to pay for the LEED requirements of the project. However, there had been an unforeseen issue with respect to one utility. Mr. Nunez said that most of the LEED costs were included in the construction contract, but the PWB did not have the funding to finish the project without the 2007 CIP request, because the contingency funding for the project was quite low. Mr. Nunez recalled that during the November 2006 IFC meeting, the amount of contingency remaining on the project was questioned.

Chairman Arberry asked whether the request for \$19,362,043 was sufficient to complete the project without requests from the PWB for additional funding. Mr. Nunez replied that was correct.

Senator Raggio said he was somewhat confused about the ultimate requirements. In November 2006, the IFC approved a request to receive and expend an additional \$12.6 million of donated funds and to reallocate \$14.7 million from FF&E to construction. Senator Raggio asked whether there would be additional funding requests from the PWB for the project. Mr. Nunez said that the request for \$19,362,043 for CIP 07-C16 would complete the project.

Senator Raggio said the stipulations of A.B. No. 3 of the 22nd Special Session indicated that a certain number of buildings had to be constructed under the LEED standards, and he asked about the cost of construction for CIP 07-C16 under those standards.

Mr. Nunez reported that he had talked with the contractor on CIP 07-C16 and requested a cost breakdown on each item that pertained to LEED standards. The contractor had provided an estimate of approximately \$7.5 million to

comply with the LEED standards for the project. Mr. Nunez stated that the current request for \$4.5 million to complete LEED construction was to meet PWB adopted standards that satisfied the LEED requirements. He further explained that there was approximately \$3 million in construction costs under the PWB standards, even if the building was not slated for LEED certification.

Senator Raggio wondered whether the significant cost that was added to CIP projects to comply with LEED standards would be repaid through savings in energy costs. Senator Raggio commented that part of the significant loss in sales tax revenue to the State had come about because private construction projects relied on the LEED tax exemption that was in place for a limited period of time. He suggested that the State had to be very careful and analyze whether or not the cost of LEED construction on public projects was in the best interest of the State. Senator Raggio believed that the Legislature should take a step back before mandating further LEED construction for CIP projects.

Mr. Nunez replied that the PWB estimated that approximately \$4.5 million would be needed, in addition to the \$7.5 million estimate provided by the contractor, to comply with the LEED standards. That \$4.5 million would not be necessary on typical PWB projects that were not slated to meet LEED silver-certification standards. Mr. Nunez commented that the costs to meet the base LEED certification were not significant. With respect to LEED certification and energy savings, Mr. Nunez pointed out that approximately 17 points, or 25 percent, of the standards were related to energy. He suggested that perhaps the Legislature should review the LEED construction mandate.

Assemblywoman Smith asked Mr. Nunez to review the requirements for LEED certification, the number of LEED projects currently under construction, and the method used by the PWB to determine which projects were constructed under the LEED standards.

Mr. Nunez explained that the *Nevada Revised Statutes* (NRS) required the PWB to comply with base LEED certification for all projects, with two projects being constructed to comply with silver certification under LEED standards. Mr. Nunez further explained that the PWB was also required to receive concurrence from the agency to construct the project under LEED silver-certification standards. Mr. Nunez reported that the PWB had been able to meet the requirements on a voluntary basis. When the agency involved in the project wanted to comply with LEED standards and receive certification at the silver level, the PWB attempted to accommodate that request within the budget approved by the Legislature to construct the project. Mr. Nunez stated that unless changes were made by the Legislature, the PWB would continue voluntary selection of LEED silver-certification projects, and would complete base LEED requirements on all other projects, based on the mandates of A.B. No. 3 of the 22nd Special Session.

Assemblywoman Gansert referenced the silver certification under LEED standards and the energy savings. Mr. Nunez explained that of the available 69 points under the LEED standards, only 17 of those points, or 25 percent, dealt with energy.

Mrs. Gansert asked about the points or percentages that dealt with energy for base LEED standards. Mr. Nunez explained that the base percentages could vary, and as long as the project met the prerequisites of LEED standards, the points to attain either base or silver certification could be selected by category.

Chairman Arberry asked whether there were further questions about CIP 07-C16 and, there being none, the Chairman asked Mr. Nunez to continue his presentation.

Nevada System of Higher Education
CIP 07-C17—DRI CAVE Completion

Mr. Nunez explained that CIP 07-C17 was the 7,500 square-foot phase II research and office space addition at the Desert Research Institute (DRI). Mr. Nunez stated that [Exhibit C](#) contained an architectural rendering of the completed building, a vicinity map of the facility, and an aerial map of the site.

Mr. Nunez stated that the budget for the project was \$9,507,743, which provided for completion of CIP 05-C65L. The budget also included generator, landscaping, plaza, uninterruptible power source (UPS), phone switch, and LEED requirements. Mr. Nunez said that the project was 100 percent state-funded and would be constructed on existing state-owned property on the DRI campus.

Senator Raggio asked about the phone switch cost of \$970,691. He noted that the 2005 Legislature approved a CIP project that included \$264,600 for the phone switch. Senator Raggio asked why the project required an additional phone switch at an elevated price.

Christian Chimits, Interim Deputy Manager, PWB, stated that the phone switch for CIP 07-C17 included the network switching capability. The original phone switch requested in the 2005 CIP had become obsolete and would be replaced in its entirety by the request included in the 2007 CIP.

Senator Raggio referenced the UPS and generator, which was apparently not included in the original 2005 CIP, and he asked why those costs were added to the 2007 project. Mr. Chimits replied that the generator, the landscaping, and the phone switch were included in the original project, but PWB had appeared before the IFC to reduce the scope of the project because of inflation.

Senator Raggio asked whether the CAVE building was the only building that would rely on the UPS and generator.

Stephen G. Wells, President, DRI, explained that the UPS and generator would be used for the entire building, which was very critical because of the tremendous computational capability and visualization lab that would be located in the building. The backup generator would support both phase I and phase II.

Senator Raggio asked for a list of furnishings and equipment for both the 2005 and 2007 CIP projects. The Subcommittee would like LCB staff to review the lists of furnishings and equipment for all CIP projects for the Nevada System of Higher Education. Mr. Nunez stated that he would provide the information.

Senator Raggio noted that CIP 07-C17 would also be constructed to silver-level certification under the LEED standards, and he asked about the project cost. Mr. Nunez stated that the estimate for the design was approximately \$157,000, and the construction of the project to LEED silver-level certification was approximately \$1.3 million.

Senator Raggio said that the original project contained an auditorium, and he wondered whether that was included in the project. Dr. Wells explained that the auditorium was moved to phase III of the project to accommodate the costs.

Assemblywoman Buckley stated that the Legislature continued to examine the LEED issue, and she asked about the justification for the increased cost of construction and the overall return, such as a reduction in utility costs. Mr. Chimits reported that the PWB attempted to encompass the 17 energy points in the silver certification. The energy points would provide economic benefit to the State. Mr. Chimits explained that the project had to encompass 33 points to attain silver certification under LEED, and there were 16 additional points that were more environmentally oriented. The LEED certification was in line with the mission of the DRI, which included the environment and alternate energy sources.

Ms. Buckley asked about the projected utility savings per year. Mr. Nunez said that he would provide further information to the Subcommittee about utility savings under the LEED standards. Ms. Buckley said that the Legislature was currently evaluating future construction projects in an effort to determine whether the LEED standards would produce equitable savings.

Assemblywoman Gansert asked Mr. Nunez to include the difference in utility savings between the base certification and silver certification in the information he would provide to the Subcommittee. Mr. Nunez stated that he would include that information.

Assemblywoman Smith asked for verification about the LEED construction costs in CIP 07-C17. Mr. Nunez stated that the LEED construction costs for the project was \$1,297,265. The second line item under the LEED certification was design services at a cost of \$157,428.

Assemblywoman Leslie referred to the phone switch included in the original project that had become obsolete. In FY 2005, the Legislature approved \$264,600 for the phone switch and the current request was for \$970,691, which represented a significant increase. Ms. Leslie asked why the cost had increased.

Peter Ross, Assistant Vice President for Campus Planning, DRI, explained that the original estimate contained a line item for \$264,600 for new telephone equipment for the project. The vendor who would install the system advised DRI that the original system had become obsolete. Mr. Ross stated that the new estimate included approximately \$577,000 for necessary upgrades to DRI's campus-wide telephone system to make it compatible and work seamlessly with the phone switch.

Ms. Leslie stated that it appeared the upgrade would be for the entire campus, and she wondered whether that was to enable CAVE to communicate with other parts of the campus. Mr. Ross said that rather than simply providing equipment for the project, and because the old phone system had become obsolete, DRI had to upgrade the remaining components of the telephone system throughout the DRI campus.

Ms. Leslie asked whether the cost would upgrade the entire campus telephone system outside the CAVE project. Mr. Ross stated that was correct because the system had become obsolete.

Ms. Leslie asked whether it was appropriate to include costs within a CIP project that would not be used only for the project. Mr. Nunez explained that the CIP project would cause the issue for the campus-wide phone system, and that was the reason the funding was included to address the complete system.

Chairman Arberry asked about the funding included in the original CIP project of \$264,600. Mr. Ross stated that the funding had been deferred into the second project because of inflation. The entire cost for the telephone upgrade and cabling to support the system in the building was included in the \$970,691 request.

Chairman Arberry asked whether there were further questions about CIP 07-C17 and, there being none, the Chairman asked Mr. Nunez to continue his presentation.

Nevada System of Higher Education
CIP 07-C18—UNR Science and Math Center Completion

Mr. Nunez stated that the project would provide funding for the built-in laboratory furnishings and casework. Mr. Nunez stated that [Exhibit C](#) included an architectural rendering of the completed building, a vicinity map of the campus, and an aerial map of the site.

Chairman Arberry asked why the construction costs had increased by \$3,472,000.

Mr. Nunez explained that the PWB had approached IFC in June 2006 to change the scope of the project and accept an additional \$3.1 million from UNR. At that time, the PWB also requested authorization to proceed with the design and construction of the greenhouses, while not delaying the Science and Math Center project. Mr. Nunez stated that the current request would restore the money that was expended on the greenhouses.

Chairman Arberry asked whether CIP 07-C18 included funding for the greenhouses. Mr. Nunez explained that the project included restoration of the money used from the original project to construct the greenhouses. The greenhouses were fully funded and the contract had been awarded. Mr. Nunez stated that 07-C18 would address the shortfall that occurred when the greenhouses were funded so that the overall project would not be delayed.

Chairman Arberry asked whether the costs would increase. Mr. Nunez explained that the design development and construction documents were approximately 25 percent completed, and the cost estimates indicated that the project would be within budget when bid in the fall of 2007.

Senator Mathews asked why project 07-C11 was not combined with project 07-C18. Mr. Nunez explained that the PWB received the projects separately from the Board of Regents, and they were handled as separate projects to maintain the order of the Board's priorities. Mr. Nunez advised the Subcommittee that the President of UNR was available for questions.

Dr. Milton Glick, President, University of Nevada, Reno (UNR), stated that he had no comments and was present to answer questions from the Subcommittee regarding the UNR projects.

Assemblywoman Leslie referred to the action taken at the June 2006 IFC meeting regarding the greenhouses. She stated that she was somewhat confused regarding the \$3,472,000 for additional construction costs. Mr. Nunez stated that the original CIP included the concept to relocate the existing greenhouses, but it was later determined that the existing greenhouses could not be relocated, and the solution was to construct new greenhouses.

Ms. Leslie asked how much was approved at the June 2006 IFC meeting for constructing the new greenhouses. Mr. Nunez stated that IFC approved approximately \$6.2 million to construct the new greenhouses. Ms. Leslie asked how that related to the request for \$3.4 million in CIP 07-C18. Mr. Nunez explained that UNR provided \$3.2 million in funding for the new greenhouses, which IFC approved for PWB to receive and expend on the project. The other \$3 million to continue with construction of the greenhouses was expended from the original project, and the current request for \$3,472,000 would replace the amount expended from the original project.

Ms. Leslie noted that the scope of the original project was changed, and now the Subcommittee had to make up the funding that was expended from the original project. Mr. Nunez stated that was correct. The change of scope allowed the PWB to maintain the project on schedule.

Ms. Leslie commented that the PWB had to do a better job of planning so that the IFC and the Legislature was aware of the amount that was actually being approved in the CIP projects.

Chairman Arberry asked whether there were further questions about CIP 07-C18 and, there being none, the Chairman asked Mr. Nunez to continue his presentation.

Nevada System of Higher Education
CIP 07-C24 – WNCC ADA Retrofit (Phase I)

Chairman Arberry stated that the concern was that the project included an architectural and engineering design and supervision fee of approximately 8.8 percent. The original 2005 planning project, CIP 05-P04, included design development and construction document costs, and Chairman Arberry asked why those costs were again requested in CIP 07-C24.

Mr. Nunez explained that the original project encompassed the advanced planning and design for the entire campus, but it only completed the schematic design. The current project addressed phase I, which was only a portion of the needs of the entire campus to meet the Americans with Disabilities Act (ADA) codes and lifesaving deficiencies on the campus. Mr. Nunez said that the Bristlecone Building was one of the most utilized buildings on campus and the building with the most ADA issues and problems. Phase I would address the ADA issues and lifesaving issues that existed in the Bristlecone Building.

Chairman Arberry asked whether there were further questions about CIP 07-C24 and, there being none, the Chairman asked Mr. Nunez to continue his presentation.

Nevada System of Higher Education

CIP 07-C89—UNLV Shadow Lane Biomedical Research Building

CIP 07-C90—Medical Education Learning Lab Building

CIP 07-C91—Advanced Clinical Training and Research Center

Chairman Arberry stated that the Subcommittee wanted to confirm that CIP 07-C89 had been removed from the Governor's recommended 2007 CIP list.

Mr. Nunez stated that he had recently been informed that the Governor was recommending a reduction of \$15.75 million in State funding for CIP 07-C89. The project could either be deleted or the amount of \$15.75 million could be deleted from within the three University Health Science System projects, 07-C89, 07-C90, and 07-C91.

Mr. Nunez indicated that he received that information recently and he had informed Daniel Klaich, Executive Vice Chancellor of Legal Affairs, Nevada System of Higher Education (NSHE), about the Governor's recommendation this morning.

Chairman Arberry commented that the Subcommittee was considering reinstatement of the funding for the project, and he asked about the programming. Mr. Nunez said that Ms. Turner, who was very familiar with the programs, would provide information to the Subcommittee.

Marcia Turner, Interim Vice Chancellor and Chief Operating Officer for the University Health Sciences System, stated that the overall project cost was \$157 million. The Executive Budget included \$110 million in the base budget, with the idea that the \$110 million would be matched with an additional \$47 million from private donors or other sources.

Ms. Turner explained that CIP 07-C90 included construction of a new learning lab for the School of Medicine and the Orvis School of Nursing and renovation of Cain Hall and Savitt Hall on the UNR campus. Savitt Hall would be used for occupancy by the School of Medicine.

According to Ms. Turner, the Las Vegas projects included 07-C89, which was the Shadow Lane Biomedical Research Building, and 07-C91, which included construction of the new Advanced Clinical Training and Research Center on land donated to the University by the city of Las Vegas. Ms. Turner believed those two projects could be combined into one project because they were connected from a programmatic standpoint. Ms. Turner indicated that [Exhibit C](#) contained an architectural rendering of the completed Shadow Lane Advanced Clinical Training Center.

Ms. Turner stated that the city of Las Vegas offered to donate two sites, one directly adjacent to the proposed Lou Ruvo Center on the Union Park land in downtown Las Vegas, as depicted in [Exhibit C](#). The second site was also located in that vicinity. Ms. Turner said the University was working with the city and with architects to develop the best programmatic plan and design options to fit into the location and produce the best synergy between operations of the Ruvo Center and operations of the Clinical Training Center.

According to Ms. Turner, [Exhibit C](#) contained the original space-allocation plan that was based on the receipt of State operational funding. In the event that funding was received for the School of Medicine to hire an additional 81 faculty members, and in the event that funding was received for the UNR and UNLV School of Nursing to increase class-size in the first phase of a three-phase expansion, the original plan would be utilized. However, the University was asked to submit a plan that did not include operational funding, and Ms. Turner said that the alternate plan contained in [Exhibit C](#) redirected and limited space that had been allocated to program growth.

Senator Coffin asked about the two separate plans. Ms. Turner said there were two separate pages in the exhibit, one for the original plan and one for the alternate plan. One of the main differences between the two plans was the reduction in the amount of square footage allocated for program expansion. One benefit of the alternate plan for the UNR campus was that the Orvis School of Nursing currently utilized the Redfield Campus for a portion of its operation, but because of the reduction in the allocation of space to the School of Medicine, additional space was identified on campus to relocate the Redfield operations so that the entire program would be located on the main campus.

Ms. Turner explained that under the alternative plan the allocation of space was also reduced for program growth at UNLV and classes were moved around. The renovation of Building B on the Shadow Lane campus and the construction of a new building were envisioned for multidisciplinary research and collaboration to have nurses and doctors in both buildings. Ms. Turner stated that under the alternate plan, assuming no growth in the nursing programs, the allocation of space would be doubled for the clinical skills lab, which would enable the University to provide additional space for the Nevada State College clinical skills operation. Ms. Turner explained that was separate from the building request, but it would enable the UNLV nursing program and the Nevada State College nursing program to share space and equipment.

Chairman Raggio asked Ms. Turner to work with LCB staff on the alternate plan. Ms. Turner stated that she would be happy to discuss the details of the alternate plan with LCB staff.

Chairman Raggio asked whether there were further comments regarding the three projects.

Jim Rogers, Chancellor, Nevada System of Higher Education (NSHE), said he would like to provide the history of the projects. Based upon the analysis that was made of the medical needs of the State and the status of the state's medical schools and nursing schools, he had approached then Governor Guinn with the proposal for a \$200 million project. The NSHE proposed that between \$140 million to \$150 million would be secured from the State, and the remaining amount would be raised from the private sector.

Mr. Rogers indicated that before Governor Guinn left office, he informed Mr. Rogers that the State could not provide \$140 million in funding for the projects, but it could provide \$110 million. The NSHE then restructured the programs to include what could be accomplished with the available funding and those parts of the projects that were vital at the present time for the health care system of the State.

Governor Gibbons then suggested that there be a further reduction in the funding for the projects from \$110 million to \$95 million. Mr. Rogers said he had discussed the issues with Governor Gibbons and indicated that he could not agree to that reduction, and the matter needed be placed before the Legislature for a final determination. One of the original suggestions from the Governor was to abandon the Shadow Lane property, but Mr. Rogers said if the University had to reduce the scope of the projects it would be done across the board. Mr. Rogers explained that the University might have a person who wanted to donate to the Shadow Lane property, but once that building was removed, the person would no longer be willing to donate funding to the projects.

Mr. Rogers indicated that NSHE needed some maneuverability in how the funding was raised and how it was used for the projects, which was the reason the NSHE viewed the three projects as one, with a 70/30 percent funding split between the Legislature and the private sector.

Chairman Raggio stated that, in the event it was necessary because of budget constraints to reconsider the amounts, the Subcommittee would invite the Chancellor to resubmit a plan to reapportion the funding across the board. Mr. Rogers stated that would be the best method for reapportionment of the funding.

Chairman Raggio asked that Mr. Rogers submit a plan for reduced funding for review by the Subcommittee. Mr. Rogers stated that he would submit a plan. He reiterated that the PWB had no priorities regarding funding reductions, as long as the overall cost of the projects was reduced by \$15.75 million. Mr. Rogers emphasized that the preference of the NSHE would be to reduce the projects across the board rather than eliminating CIP 07-C89.

Chairman Raggio said the Subcommittee was always hopeful that funding would become available for many of the CIP projects, but realistically, the available funding would be less than anticipated.

Chairman Arberry asked Mr. Nunez to discuss the furniture, fixtures, and equipment (FF&E) costs for the three projects.

Mr. Nunez stated that beyond what had been presented to the Subcommittee by Ms. Turner, [Exhibit C](#) contained an overview of the budgets for CIPs 07-C89, 07-C90, and 07-C91. However, the exhibit did not contain an itemized FF&E breakdown for those projects.

Chairman Arberry asked whether the numbers for CIP 07-C91 were firm and would not change. Mr. Nunez said that from the PWB's perspective, the numbers for the project were firm.

Ms. Turner explained that the NSHE needed to discuss the projects with the PWB because the projects submitted by the NSHE included FF&E costs, and she wanted to make sure those numbers had not been inflated twice. Ms. Turner stated that she would discuss the FF&E costs with the PWB and would provide the itemized FF&E costs.

Ms. Turner noted that if the NSHE decided to use the alternative plan, the clinical skills portion of the project that originally would be housed in Building B on the Shadow Lane campus and in the new building, would be contained within Building B, and the FF&E costs would shift somewhat between the two buildings.

Chairman Arberry asked whether there were further questions from the Subcommittee about the three projects.

Assemblywoman Leslie wondered whether the University planned to occupy either of the buildings prior to the end of the biennium. Ms. Turner indicated that it was very likely that the three renovated buildings would be available for occupancy prior to the next Legislative Session and, therefore, it would be important to approve the FF&E costs during the 2007 Session.

Ms. Leslie asked that the exact date of occupancy be provided, along with itemized FF&E costs. Ms. Turner stated that she would comply with Ms. Leslie's request.

Chairman Arberry asked whether there were further questions on CIPs 07-C89, 07-C90, and 07-C91 and, there being none, the Chairman asked Mr. Nunez to address 07-M04.

Nevada System of Higher Education

CIP 07-M04—Red Mountain Building Fire Code Deficiencies

Mr. Nunez stated that the project represented part 2 of an original \$2 million request submitted in 2004 and listed in the 2005 CIPs. The request had been reduced by \$1 million, and the PWB was seeking the funding to upgrade exit passageways and make changes in the physical structure at the Red Mountain Building located on the campus of the Truckee Meadows Community College (TMCC).

Chairman Arberry asked why the cost of the project had increased approximately 38 percent. Mr. Nunez explained that the PWB now had an actual design upon which to base the estimate, and the cost also increased based on increased inflation between 2004 and 2007.

Chairman Arberry asked whether there were further questions about CIP 07-M04 and, there being none, the Chairman asked Mr. Nunez to continue his presentation.

Nevada System of Higher Education

CIP 07-M38—TMCC IGT Structural Reinforcement

Mr. Nunez stated that in January 2005 part of the building's roof experienced failure and emergency repairs were made. The rest of the roof needed to be structurally upgraded to avoid further roof failures. Mr. Nunez indicated that the funding would fix the roof structure.

Chairman Arberry asked whether there were further questions regarding CIP 07-M38 and, there being none, the Chairman asked Mr. Nunez to continue his presentation.

Nevada System of Higher Education
CIP 07-M47 – Deferred Maintenance HECC/SHECC

Mr. Nunez stated that the project requested funding from the Higher Education Capital Construction (HECC) Fund and the Special Higher Education Capital Construction (SHECC) Fund for various NSHE deferred maintenance projects. Mr. Nunez indicated that he would provide an itemized breakdown of the funds requested for each agency to the Subcommittee.

Chairman Arberry asked whether there were further questions regarding CIP 07-M47, and there being none, closed the hearings on CIP projects.

Chairman Arberry opened the meeting for testimony from representatives from Pahrump, Nevada, as requested by Senator Cegavske.

Senator Cegavske noted that the CIP project for a Pahrump campus of the Great Basin College (GBC) had been prolonged for a long time, and she wondered why the project was listed as priority number 19 by the Board of Regents. Senator Cegavske believed that the CIP project for the Pahrump campus should be the number one priority. Senator Cegavske asked that the Subcommittee provide the persons who had traveled to Carson City an opportunity to speak.

Robert (Bob) Swadell, Swadell Associates, Pahrump, Nevada, introduced himself, Ms. Hafen Scott, and Dr. Paul Killpatrick, to the Subcommittee. Mr. Swadell stated that he was addressing the Subcommittee as the “court of last appeals.”

According to Mr. Swadell, approximately five years ago, a group of individuals approached the Board of Regents and were told that the Pahrump campus would be listed as the number four priority on the Board of Regents’ priority list. Mr. Swadell said that ten weeks later the Pahrump campus dropped to number ten on the priority list, and by the time the CIPs were presented to the 2005 Legislature, the project had mysteriously dropped to number 23.

Mr. Swadell stated that during the past year, the Chancellor of the NSHE had an outside expert analyze the situation, and the expert confirmed that Pahrump, with a population of 40,000, was the most underserved area in the State as far as college classroom space, number of teachers, and number of available programs. Mr. Swadell commented that 11,000 homes were planned for completion in Pahrump within the next four years, which would increase the population to approximately 60,000 by the time the project was completed.

Vicki Hafen Scott, Hafen Financial Services, Inc., Pahrump, Nevada, explained that growth and higher education needs in Pahrump were ongoing. America West Homes had over 4,400 homes under construction including the resultant infrastructure, and Ms. Hafen Scott said that there were several other contractors also in the process of building homes.

Ms. Hafen Scott stated that Pahrump was growing rapidly and the enrollment in the available college classes was the highest in the system with an approximately 30 percent increase over the past year. Ms. Hafen Scott stated that Pahrump greatly needed a GBC campus and she asked that the Legislature help with the Pahrump campus by providing any amount of funding. Ms. Hafen Scott stated that whatever amount of money was allocated by the Legislature, Pahrump would build what it could with the dollars provided.

The town would appreciate finally having a campus available to afford the opportunity for a higher education to its residents and to meet economic development needs.

Dr. Paul Killpatrick, President, GBC, explained that GBC took over the Pahrump center in July 2006, and it was one of the growth centers for the State and the college. Soon, GBC would maximize the use of the high tech center that the college shared with the high school, which was located on the high school campus. Locating a GBC campus in Pahrump had Dr. Killpatrick's full support, the support of the Chancellor, and the support of the NSHE. Dr. Killpatrick commented that he felt it was now time for the needs of Pahrump to be recognized.

Chairman Arberry thanked the persons who testified on behalf of a GBC campus in Pahrump for attending the hearing and sharing their views with the Subcommittee.

Chairman Arberry asked whether there was further business to come before the Subcommittee.

Assemblywoman Leslie asked that LCB staff provide an itemized list of furniture, fixtures, and equipment (FF&E) costs for buildings that would not be occupied over the upcoming biennium. During today's meeting, the PWB requested an additional approximately \$60 million in FF&E costs for projects from the 2005 CIP list. Ms. Leslie believed that everyone was frustrated with the process, and she wondered whether there might be a way to change the process with FF&E costs.

Chairman Arberry stated that he too would like to see an itemized list of FF&E costs, and he asked LCB staff to provide the requested information.

Daniel Klaich, Executive Vice Chancellor of Legal Affairs, NSHE, stated that Senator Cegavske raised a good issue with the Pahrump campus. The Subcommittee had discussed FF&E costs today, and he would appreciate the opportunity to provide LCB staff with a list of priorities from the Board of Regents that were not recommended for construction by the Governor.

Mr. Klaich appreciated the fact that very limited funds were available for CIP projects, but there were tremendous service needs in many of the NSHE campuses, and he would appreciate the opportunity to provide the priorities to LCB staff for review by the Subcommittee. Mr. Klaich indicated that, other than the funding for the Health Science System projects, there were no other CIP projects for either new construction or new planning, which put NSHE projects a number of years into the future. Mr. Klaich said he would like to have an opportunity to discuss the needs throughout the system with the Subcommittee.

Maud Naroll, Chief Planner, Budget and Planning, Department of Administration, said it was common to defer FF&E costs, but she asked the Subcommittee to be mindful that the 2009 CIPs already had over a \$170 million "hole" in funding without deferral of the 2007 FF&E costs.

Mr. Nunez commented that the cutoff for FF&E funding was not when the building was occupied, but rather when the FF&E had to be ordered to arrive when the building was scheduled for occupancy. Mr. Nunez indicated that the

PWB would be happy to work with LCB staff in itemizing the FF&E costs for buildings that would not be occupied over the upcoming biennium.

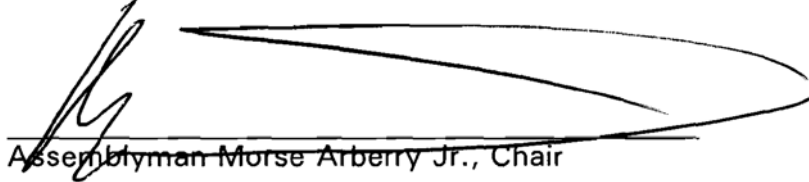
Chairman Arberry stated that the PWB was welcome to work with LCB staff because the Legislature wanted to avoid requests for additional FF&E costs in the future.

Chairman Arberry asked whether there were further comments or testimony to come before the Subcommittee and, there being none, declared the hearing adjourned at 10:26 a.m.

RESPECTFULLY SUBMITTED:

Carol Thomsen
Committee Secretary

APPROVED BY:



Assemblyman Morse Arberry Jr., Chair

DATE: _____

EXHIBITS

Committee Name: Assembly Committee on Ways and Means/Senate Committee on Finance, Joint Subcommittee on Higher Education/CIP

Date: April 26, 2007 **Time of Meeting:** 8:00 a.m.

Bill	Exhibit	Witness / Agency	Description
* * *	A		Agenda
* * *	B		Attendance Roster
* * *	C	Gustavo Nunez, PWB	PowerPoint Presentation