

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

**Seventy-Fourth Session  
February 22, 2007**

The Assembly Committee on Ways and Means and the Senate Committee on Finance, Joint Subcommittee on Higher Education/Capital Improvements was called to order by Chairman Morse Arberry Jr., at 8:12 a.m., on Thursday, February 22, 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/](http://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](mailto:publications@lcb.state.nv.us); telephone: 775-684-6835).

**ASSEMBLY COMMITTEE MEMBERS PRESENT:**

Mr. Morse Arberry Jr., Chairman  
Ms. Barbara E. Buckley  
Mrs. Heidi S. Gansert  
Ms. Sheila Leslie  
Mr. John W. Marvel  
Mrs. Debbie Smith

**SENATE COMMITTEE MEMBERS PRESENT:**

Senator William J. Raggio  
Senator Barbara K. Cegavske  
Senator Bernice Mathews

**COMMITTEE MEMBERS EXCUSED:**

Senator Bob Coffin

**STAFF MEMBERS PRESENT:**

Mark W. Stevens, Assembly Fiscal Analyst  
Gary Ghiggeri, Senate Fiscal Analyst  
Eric King, Program Analyst  
Patti Adams, Committee Assistant  
Connie Davis, Committee Secretary

Chairman Arberry changed the order of the agenda to accommodate the State Treasurer's schedule and opened the hearing on Budget Account 395-1082, Bond Interest and Redemption.



ELECTED OFFICIALS – BOND INTEREST & REDEMPTION (395-1082)  
BUDGET PAGE ELECTED-159

State Treasurer Kate Marshall identified herself for the record and introduced Robin Reedy, Deputy State Treasurer, Debt Management Services, State Treasurer's Office, and Lori Chatwood, Management Analyst, Debt Management Services, State Treasurer's Office. Ms. Marshall advised that the Bond Interest and Redemption budget, which would be presented by Ms. Reedy, provided the "upkeep and maintenance" of bonds that had been authorized and issued in prior legislative sessions.

Ms. Reedy provided the Committee a copy of her prepared remarks ([Exhibit C](#)) and testified that the Bond Interest and Redemption budget was used to manage the debt for the state of Nevada. Ms. Reedy advised that for all debt authorized by the Legislature and issued by the Office of the Treasurer, the State had, in effect, made an irrevocable pledge of payment for the life of that security.

Ms. Reedy explained that the Bond Interest and Redemption budget was prepared in August 2006 based on a projection of actual expenses correlating to issued debt and various estimates that correlated to revenue. Ms. Reedy indicated that the Treasurer's staff, working in conjunction with the Legislative Counsel Bureau's Fiscal Analysis Division staff, would finalize the budget numbers nearer to the close of the 2007 Legislative Session.

Additionally, Ms. Reedy reported that while the majority of the debt payment within the budget was dedicated to general obligation debt, a portion was dedicated to revenue debt, such as the annual slot tax allocated to the Nevada System of Higher Education (NSHE).

Ms. Reedy reminded the members of the Subcommittee that beginning with the 2007 Legislative Session, property tax would be estimated under the property tax cap, which she indicated had created an area of uncertainty. However, Ms. Reedy provided assurance that the uncertainty had been addressed through the use of conservative estimates, and when a choice between two numbers occurred, the lowest number was selected. Ms. Reedy also indicated that the Treasurer's Office was willing to work with the Subcommittee's staff to develop a revised number. Ms. Reedy explained that one of the reasons that conservative numbers were always used was that the Treasurer had to know with 100 percent certainty that the debt issued was within all legal parameters. Additionally, Ms. Reedy provided assurance that the debt would never be overissued.

Ms. Reedy further advised that the resources reflected in the budget included tax estimates, and on the revenue side \$0.17 was imposed in ad valorem taxes to pay the debt, of which \$0.0115 was dedicated to Question 1 projects, and \$0.1585 was dedicated to the balance of debt authorized by the Legislature.

Ms. Reedy also advised that the transfer accounts reflected within the budget were from agencies which, at the direction of the Legislature, had to reimburse the Bond Interest and Redemption account. Ms. Reedy explained that the transfer accounts reflected those bonds that were issued and treated internally as revenue debt.

Ms. Reedy testified that only a small portion of the total resources within the Bond Interest and Redemption budget could be considered discretionary, and those resources were dedicated to operating expenses.

In response to Senator Raggio, who asked for information on how \$1,046,000 in operating expenses was used, Ms. Reedy advised that the expenditures included fees for professional services, trust agent fees, bond counsel fees, financial advisory fees, arbitrage payments, refunds, training, and transfers. Ms. Reedy defined arbitrage payments as payments to the federal government based on interest accrued from bond revenue that was not spent quickly enough. Ms. Reedy explained that some arbitrage payments were fixed dependent on how the agencies handled and spent bond money. Additionally, Ms. Reedy explained that the Treasurer's Office required a "cash flow" analysis before issuing the debt, and the agencies were required to prove that they were going to spend their money in a timely manner to both minimize the cost of arbitrage and the work involved in calculating arbitrage payments.

Senator Raggio asked for information relative to the Juvenile Detention Lease that was reflected in the budget as a separate expenditure.

Ms. Reedy advised that lease purchase expenditure was listed separately since the responsible agency reimbursed the Bond Interest and Redemption Account for the security pledged to construct the Juvenile Detention facility that was constructed in southern Nevada.

Assemblyman Marvel asked for information regarding whether lease/purchase payments counted against the state's bond indebtedness.

Ms. Reedy advised that the state's bond indebtedness was not affected by lease/purchase payments because the State Treasurer's Office captured the revenue received for reimbursement, which then had no effect on bonded indebtedness.

Assemblyman Marvel noted that the forecast for ad valorem taxes in 2007 reflected a 36.4 percent increase while only a 6 percent increase was projected for 2008 and 2009. Assemblyman Marvel asked whether the projections had been forecast by the Treasurer's Office or by the Department of Taxation.

Ms. Reedy advised that the 6 percent increase in ad valorem taxes for fiscal year 2008 and fiscal year 2009 was obtained by calculating the effect of the 3 percent and the 8 percent tax cap and information obtained from the Department of Taxation's annual reports on property tax, the *Red Book*.

Chairman Arberry asked the Treasurer's Office representatives to comment on their projection to issue \$13.2 million in general obligation bonds for Lake Tahoe environmental improvement projects during the 2007-09 biennium and when bonds would be issued for the remaining portion of the \$18.8 million that had been previously authorized or currently proposed.

Ms. Reedy indicated that it was her understanding that representatives of the Department of Administration's Budget Office had projected \$13.2 million in general obligation bonds for the biennium within the Capital Improvement Program. Additionally, Ms. Reedy indicated she believed that another \$5.6 million in bonds was projected to be issued in fiscal years 2009 and 2010. Ms. Reedy advised that although the \$5.6 million for fiscal years 2009 and

2010 was inadvertently omitted from the budget, the projection would be included in a later version of the budget.

In response to Senator Raggio, who asked for information on the state's current bond rating, Ms. Reedy advised that the state of Nevada had increased its bond rating over the past several years and was currently experiencing an AA+ range bond rating.

Chairman Arberry asked representatives of the Treasurer's Office to indicate the amount of Question 1, Natural Resources Bonds that was recommended to be issued during the 2007-09 biennium and to confirm the amount of levy that would be necessary for debt service costs on the existing and proposed bonds.

Ms. Reedy advised the members of the Subcommittee that a limit of six years existed in which to issue Question 1 bonds, which created some uncertainty depending on future legislative action. Ms. Reedy explained that about \$70 million in Question 1 bonds remained to be issued, but issuing the bonds too quickly, as discussed earlier in the hearing, would result in arbitrage issues as well as an increased tax rate. Ms. Reedy advised that if the Legislature chose to extend the ability to issue bonds through legislation, the \$.0115 rate could be extended.

In response to Assemblyman Marvel, who asked agency representatives to comment on the state's projected bond indebtedness, Ms. Reedy advised that the Treasurer's *Affordability Report* provided that in 2009, the Legislature could issue approximately \$470 million in bonds, another \$595 million in 2011, and a total of \$2 billion through 2016.

Chairman Arberry closed the hearing on the Bond Interest and Redemption hearing and opened the hearing on the Buildings and Grounds Budget Account 710-1349.

DEPARTMENT OF ADMINISTRATION - BUILDINGS & GROUNDS (710-1349) –  
BUDGET PAGE ADMIN-79

Cindy Edwards, Administrator, Buildings and Grounds Division, Department of Administration, began her presentation by telling the members of the Subcommittee that the Buildings and Grounds Division proactively managed state facilities while ensuring the availability of efficient and cost-effective office space for state agencies. Additionally, she said that the Division served as an internal service fund whose primary source of funding was provided by revenue generated from building rent.

Ms. Edwards said that the Division's request to increase state-owned building rent from \$0.91 to \$1.09 per gross square foot in each year of the 2007-09 biennium was necessary to cover general operating increases and to stabilize reserves that were depleted in fiscal year 2006. Ms. Edwards explained that the request for a rate increase had resulted from state agencies vacating state-owned office space.

Ms. Edwards discussed the recommendation for a new professional engineer position in Decision Unit Enhancement (E)250 and explained that, if approved, the new engineer would assist the existing chief engineer with his constantly increasing workload. Additionally, a smooth transition would occur should the incumbent decide to vacate his position. Ms. Edwards said that the duties of the chief engineer, whose position was established 27 years ago, included

planning, engineering, and maintenance of the mechanical, plumbing, and electrical systems in 1.5 million square feet of state-owned building space. Additionally, the chief engineer participated in the master planning of state facilities, building renovation, the execution of Capital Improvement Program projects, and the operation of the Marlette Water System and acted as the Program Manager for the Energy Savings Program.

Ms. Edwards briefly addressed the recommendations in the following Decision Units:

- Decision Unit E252 recommended funding for an administrative assistant 2 position, which, if approved, would support the Buildings and Grounds Leasing and Contract Services section. The position would assist in completing leases and contracts in a timely manner, would decrease overtime hours, and provide front office assistance.
- Decision Unit E275 recommended funding to provide Buildings and Grounds employees with the necessary training in National Fire Alarm Codes; property management; and heating, ventilating, and air conditioning (HVAC) controls.
- Decision Unit E276 recommended \$6,000 in each year of the 2007-09 biennium for the software license to monitor and control building accesses for the Attorney General's Office, the Supreme Court, and the Capitol Building.
- Decision Unit E710 recommended the routine replacement of existing computers, printers, annual renewal of anti-virus software, and the purchase of three used vehicles.
- Decision Unit E720 recommended funding for new equipment, including scaffolding, fireproof cabinets, and riding and push mowers, that would enable the Division to complete mandatory maintenance on state buildings and grounds.
- Decision Unit E850 recommended funding for building maintenance and renovation projects including painting, carpeting, HVAC replacement, interior and exterior door hardware, and concrete repair.

Chairman Arberry noted the recommendation for a rental rate increase for state-owned building space and questioned why the rental rates for storage and dormitory space remained the same as the rates charged during the 2003-05 and the 2005-07 bienniums.

Mary Keating, Administrative Services Officer, Administrative Services Division, Department of Administration, said that the rate increase had been proposed for office space only, but rates for storage and dormitory space would be reviewed and the information provided to the Subcommittee's staff in the next several days.

Chairman Arberry noted that in Decision Unit E250, 50 percent of the proposed new professional engineer's duties would be dedicated to providing assistance with the planning and execution of energy saving retrofit projects. Chairman Arberry asked the agency representatives to comment on how many energy retrofit projects were anticipated during the 2007-09 biennium, including

an estimate of savings that would be generated. Additionally, Chairman Arberry asked whether specific buildings had been identified for retrofit projects.

Patrick McInnis, Chief Engineer, Buildings and Grounds Division, Department of Administration, advised that at least half of the funding required for the new position would be created by a projected 4 percent energy savings. Mr. McInnis indicated that the projected 4 percent energy savings would be accomplished by modifying schedules and equipment, tasks that the current staff did not have the time to accomplish.

In response to Chairman Arberry, who asked whether any specific buildings had been identified for retrofit projects, Mr. McInnis advised that control upgrades were proposed in Capital Improvement Program projects for all the buildings under the control of the Buildings and Grounds Division.

In response to questions Assemblyman Marvel asked regarding the identification of buildings designated for retrofit projects, Mr. McInnis advised that the Capitol Building, the Grant Sawyer Building, the Supreme Court, and the State Library and Archives were designated for retrofit upgrades. Mr. McInnis reiterated that enough savings would result to pay for at least half of the engineer's salary. Additionally, Mr. McInnis pointed out that the Division's performance indicators reflected a guaranteed energy conservation savings of approximately \$340,000 a year.

In response to questions Assemblyman Marvel asked regarding the \$340,000 in energy savings and the new engineering position, Mr. McInnis explained that the energy savings the new engineer was projected to generate would pay for half of the position's salary. Mr. McInnis clarified that the \$340,000 in energy savings was money the Buildings and Grounds Division had already claimed.

Senator Raggio expressed some skepticism regarding whether retrofit projects had actually achieved positive results and pointed out that there were no reductions reflected in The Executive Budget as a result of the \$340,000 saved through energy conservation projects. Senator Raggio noted, however, that higher costs were reflected in the budget for equipment and for a new engineering position to manage retrofit projects.

In response to Senator Raggio, who asked for the provision of specific information regarding the savings generated through energy conservation programs, Mr. McInnis advised that he would compile and provide the information to the Subcommittee's staff within one week. Additionally, Mr. McInnis advised that, if approved, the new engineering position would save money by doing work in-house that currently was outsourced to energy service companies.

Chairman Arberry asked agency representatives to comment on why the number of leases the agency administered increased by 7.3 percent between fiscal year 2005 and fiscal year 2006 while the amount of leased space decreased 8.1 percent for the same time period.

Ms. Edwards explained that the 8.1 percent decrease in leased space occurred when tenants moved from approximately 121,000 square feet of leased space into state-owned space in the Bryan Building.

Chairman Arberry asked agency representatives to comment on the funding recommendation in Decision Unit E850 for building maintenance and renovation

projects when it appeared that approximately 50 percent of the projects approved for the 2005-07 biennium would not be completed.

Ms. Edwards advised that as a result of budget constraints and in an effort to make up for a shortfall in building maintenance and utility expenses, some building renovation projects were not completed in fiscal year 2007. Ms. Edwards explained that a portion of those projects were requested in The Executive Budget for the 2007-09 biennium.

In response to additional questions Senator Raggio asked relative to the completion of building renovation projects, Ms. Keating advised that in 2006 Buildings and Grounds experienced a "tremendous increase" in utility costs and a loss of revenue after agencies occupying the Kinkead Building moved out. Ms. Keating explained that to keep the agency afloat, certain business decisions were made, such as placing the building renovations on hold. Ms. Keating reiterated that the projects that were recommended in the budget, barring any unforeseen problems, would be completed in the 2007-09 biennium.

In response to the concern Senator Raggio expressed regarding the delays and the resulting increase in project costs, Ms. Keating agreed that the cost of the projects would increase but indicated that in view of the loss of revenue from building rent, there had been little choice other than to delay the projects.

Senator Raggio suggested that periodic reports relative to maintaining the building renovation schedule and any problems that occurred with the renovations be provided to staff.

Assemblywoman Smith noted that it appeared the agency's Leasing and Contract Services Section experienced some workload fluctuation and asked if alternatives other than adding a new administrative assistant 2 position had been explored.

Ms. Edwards indicated that although the workload fluctuated, temporary services had not proved beneficial. Ms. Edwards advised that an Administrative Assistant could provide the necessary clerical support needed in the Leasing and Contract Services Section.

Chairman Arberry closed the hearing on the Buildings and Grounds Budget Account 1349 and opened the hearing on the Buildings and Grounds Mail Services Budget Account 1346.

DEPARTMENT OF ADMINISTRATION - BUILDINGS & GROUNDS -  
MAIL SERVICES (713-1346) - BUDGET PAGE ADMIN-88

Senator Raggio indicated that there were no major issues in the Buildings and Grounds Mail Services budget but expressed concern that the budget did not reflect a recommendation for the substantial postage increase that had been proposed.

Mary Keating, Administrative Services Officer, Administrative Services Division, Department of Administration, advised that when past postage increases occurred, a work program request was prepared to increase authority to buy postage and authority to receive the increase from the state agencies.

Ms. Keating expressed uncertainty when asked by Senator Raggio whether other budgets affected by the increase had sufficient authority to absorb the cost.

Senator Raggio asked agency representatives to prepare estimates on projected costs involving a postage increase after being advised by staff of the likelihood of a 7.6 percent increase.

Chairman Arberry closed the hearing on the Buildings and Grounds Mail Services Budget Account 713-1346 and opened the hearing on the Clear Creek Youth Center Budget Account 101-1353.

DEPARTMENT OF ADMINISTRATION - BUILDINGS & GROUNDS CLEAR CREEK  
YOUTH CENTER (101-1353) – BUDGET PAGE ADMIN-97

Cindy Edwards, Administrator, Buildings and Grounds Division, Department of Administration, reported that a proposal to use the Clear Creek facility for the Nevada National Guard's Project Challenge program was determined to be unfeasible. Ms. Edwards advised that a State Public Works Board project cost analysis found that the estimated project cost exceeded the available funding.

Chairman Arberry asked whether alternative plans would be presented to the 2007 Legislature.

Andrew Clinger, Director, Department of Administration, advised that although he was scheduled to meet with the Governor regarding alternative proposals for the Clear Creek property, it had become clear that the structures on the site had deteriorated to the point of no longer being useable. Mr. Clinger indicated that a significant state investment would be required before the property could be used.

In response to Assemblyman Marvel, who asked whether the property had been appraised, Mr. Clinger advised that an appraisal conducted four or five years ago determined the property was worth \$1.5 million. Mr. Clinger indicated that the property could be worth slightly more than \$1.5 million in the current market.

Chairman Arberry noted that the 2001 Legislature approved funding for a CIP project to address renovations and repairs that were needed at the site. The Chairman pointed out that while some of the funds had been expended, a balance of \$1,369,194 remained, the original June 30, 2005 reversion date had been amended once, and any unobligated balance remaining after June 30, 2007 would revert to the General Fund.

Mr. Clinger indicated that, at some point in the past, a decision was made to discontinue funding renovations and repairs to the Clear Creek structures since the structures were not useable and would ultimately need to be demolished. Mr. Clinger said that his recommendation to the Governor would be to use the \$1,369,164 remaining balance in the 2001 CIP project to demolish the structures on site.

In response to questions Chairman Arberry asked regarding demolition costs, Mr. Clinger advised that the Public Works Board estimated demolition costs would be less than \$1.3 million but indicated he would provide the Subcommittee with details and a specific estimate if the Governor approved moving forward with the demolition. Additionally, Mr. Clinger said that with the



Governor's approval, he would ask the Public Works Board to request Interim Finance Committee approval to change the scope of CIP 01-M05 to use a portion of the \$1.3 million balance to demolish the structures.

In response to questions Assemblywoman Smith asked regarding safety issues related to occupied structures on the site, Ms. Edwards said that there were residences that were leased on a month-to-month basis, which could be terminated at any time. Ms. Edwards also explained that the homes, unlike the buildings on site, were maintained, and there were no safety issues.

In response to Assemblywoman Smith who asked whether there were any transients occupying the uninhabited buildings, Ms. Edwards indicated that there were no transients occupying the buildings.

Senator Mathews expressed dismay regarding the situation at Clear Creek and asked for information relative to the proposal for a boot camp.

Mr. Clinger responded the Nevada National Guard's Project Challenge program was the boot-camp proposal, and after a recent cost analysis determined that \$4.8 million would be needed for renovations and repairs to the structures, it had become clear that investing additional funds in the structures would be unwise.

In response to questions Senator Mathews asked regarding whether individuals from nearby residences had expressed concerns relative to a boot camp being located at Clear Creek, Mr. Clinger advised that plans for a boot camp at Clear Creek did not move far enough along in the process to make any difference to the neighbors. Mr. Clinger said the determination that the site was not feasible for the Project Challenge program centered solely on investing additional funding into facilities that would continue to be considered substandard.

Senator Raggio pointed out that the 2001 Legislature, based on the recommendation of the Public Works Board, authorized \$1,629,477 for general improvements and maintenance at Clear Creek. Senator Raggio expressed his displeasure that the Department of Administration, without the Legislature's approval, made a decision to discontinue the renovations and to release instead a request for proposal (RFP) to seek an outside vendor to operate and maintain the facility. Senator Raggio indicated that the structures on the historically significant and beautifully located property could have been salvaged had the renovations continued with the funding authorized by the 2001 Legislature.

Chairman Arberry closed the hearing on the Clear Creek Youth Center Budget Account 101-1353 and opened the hearing on the Marlette Lake Budget Account 712-1366.

DEPARTMENT OF ADMINISTRATION - MARLETTE LAKE (712-1366)  
BUDGET PAGE ADMIN-99

Cindy Edwards, Administrator, Buildings and Grounds Division, Department of Administration, reported that Marlette Lake, Budget Account 1366 was an enterprise fund whose revenue was generated from water sales to Carson City and Virginia City.

Ms. Edwards briefly addressed the recommendations in the following Decision Units:

- Decision Unit Enhancement (E)250 recommended funding for training classes to ensure that staff were trained in new or improved techniques to manage the water system and to repair the water pipelines and equipment.
- Decision Unit E251 recommended \$17,380 in both years of the 2007-09 biennium to rent heavy equipment to maintain 25 miles of back country roads that were used to access the water system pipelines during various times of the year. Ms. Edwards indicated the current equipment was aging and in poor condition.
- Decision Unit E710 recommended \$37,160 in fiscal year 2008 for the replacement of a service truck used to maintain and repair the water system's pipes and equipment. Ms. Edwards indicated the current vehicle had over 127,000 miles.
- Decision Unit E720 recommended \$1,320 in fiscal year 2008 to purchase a portable gas chop saw for cutting water pipelines.
- Decision Unit E850 recommended \$29,190 in fiscal year 2008 for the installation of a new roof and an intrusion alarm to protect the automated controlling system and equipment at the Marlette Lake maintenance shop.

Chairman Arberry noted the funding recommendation for heavy equipment rental fees included rental of a backhoe, an excavator, a D-5 Caterpillar, and a water truck for road maintenance. The Chairman asked agency representatives to comment on how the roads were currently maintained.

Ms. Edwards advised that roads were maintained using the agency's current loader and backhoe, which were becoming difficult to maintain and unsafe to operate.

Chairman Arberry asked agency representatives to comment on the \$45,000 that was authorized for the purchase of a used backhoe in fiscal year 2007.

Ms. Edwards explained that a backhoe rather than a loader had been mistakenly placed in the budget. Ms. Edwards indicated that after an unsuccessful attempt to locate a loader locally, the Purchasing Division would be soliciting a larger pool of vendors. Ms. Edwards further indicated that a new loader could be purchased by the end of the year.

In response to Assemblywoman Smith, who asked whether federal government surplus equipment could be accessed, Ms. Edwards advised that most of Buildings and Grounds' equipment was purchased through the federal government's surplus although it had been determined that a loader was not available through that government program.

In response to questions Assemblyman Marvel asked regarding problems associated with leaking pipes, Patrick McInnis, Chief Engineer, Buildings and Grounds Division, Department of Administration, advised that two years ago an analysis on the condition of the pipelines from the U.S. Highway 395 Intersection to Red House revealed that the 130-year-old pressure line from the tanks to U.S. 395 was in very good condition, but the pipeline to the tank from Red House was rusted and had deteriorated.

Additionally, in response to Assemblyman Marvel's question regarding pipeline water loss, Mr. McInnis advised that most water loss was attributed to operation changes when Carson City or Virginia City required less flow and water had to be released. Mr. McInnis added that there was very little loss through the pipeline itself.

In response to Assemblyman Marvel's question regarding whether all of the water used was Marlette Lake water, Mr. McInnis explained that Marlette Lake water was only used if water needed to be pumped from the Lake. Mr. McInnis advised during the past summer, because it had been a wet year, water from the East Hobart slope and the catchments, along the old Rim Trail up to the tunnel, was used exclusively.

In response to Mr. Marvel, who commented on the critical need to conserve water, Mr. McInnis advised that new controls and monitoring equipment would be installed at Red House and Marlette Lake during the coming summer.

Chairman Arberry noted that a new light-duty truck had been purchased in fiscal year 2006 and asked agency representatives to comment on the recommendation for funding to replace a light-duty truck with over 127,000 miles.

Ms. Edwards confirmed that a vehicle was purchased in 2006 and funding was also authorized at the same time to convert a seasonal position to a full-time operator. Ms. Edwards explained that there were currently two operators who maintained the Marlette Water System with only one vehicle other than the truck with 127,000 miles.

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

DEPARTMENT OF ADMINISTRATION – PUBLIC WORKS BOARD  
ADMINISTRATION (101-1560) – BUDGET PAGE ADMIN-106

Gustavo Nunez, Interim Manager, State Public Works Board (SPWB), introduced Evan Dale, Deputy Manager, Administration and Finance, SPWB.

Mr. Dale testified that Budget Account 1560, Public Works Board Administration, was funded entirely through a General Fund appropriation.

Mr. Dale briefly addressed the recommendations in the following Decision Units:

- Decision Unit Enhancement (E)710 recommended \$7,893 in fiscal year 2008 and \$4,539 in fiscal year 2009 for replacement of equipment.
- Decision Unit E720 recommended \$2,063 in fiscal year 2008 and \$700 in fiscal year 2009 for cost estimating software, distance measuring equipment, and tools for the Facility Condition Analysis (FCA) Program that would aid staff in the analysis of state buildings.
- Decision Unit E813 recommended equity adjustment for unclassified employees as a result of the addition of one step to the classified employees' salary schedule.

Senator Raggio noted that the two major issues of concern were the Facility Condition Analysis Program and the Electronic Plans and Specifications Storage Contract.

The Facility Condition Analysis (FCA) Program had been established by the 1997 Legislature to audit state-owned buildings for needed maintenance. Senator Raggio noted that a second audit had begun for facilities audited in the first round of audits that had been identified as requiring \$253.7 million in maintenance. Senator Raggio asked whether assurance could be provided that the reauditing process would not count the cost of maintenance items twice.

Mr. Nunez explained that the second round of audits would review facilities' maintenance needs and reprioritize maintenance projects that were originally designated for completion in one to two years.

In response to Senator Raggio, who asked for updated information and costs on reprioritized projects identified in the second round of audits, Mr. Nunez indicated that SPWB representatives would provide the Subcommittee's staff with up-to-date information and total costs as well as revisions provided from a recent audit.

In response to questions Senator Raggio asked regarding the reprioritization process and performance indicator goals that had been established for the FCA Program, Mr. Nunez advised that priorities in the audit process were established for maintenance projects to be accomplished in either one to two years at a priority one level or three to four years at a priority two level. Additionally, Mr. Nunez advised that each agency was being provided the ability to plan for their deferred maintenance needs, and projections were available for the total cost of deferred maintenance in current and future bienniums. Mr. Nunez said the FCA Program reauditing process would provide continued up-to-date information on the status of maintenance projects relative to priority and funding levels.

Senator Raggio noted that the Electronic Plans and Specifications Storage Contract, the second major issue concerning the Subcommittee, had been approved for the 2005-07 biennium through a one-time appropriation of \$80,000. Senator Raggio asked agency representatives to comment on The Executive Budget recommendation for continuation of an annual \$80,000 contract.

Mr. Dale explained that the ongoing expenditure would be necessary if the State Public Works Board electronic plans and specifications were to be available on a web-based hosted service, the charge for which was \$.080 per document.

Senator Raggio recalled the Subcommittee's recommendation, during the 2005 Legislative Session, that the agency evaluate development of an in-house system for electronic document storage.

Mr. Dale explained that there were no software programs available that could provide the electronic document storage that the agency needed.

Senator Raggio asked agency representatives to comment on the fact that only \$42,686 had been spent on the contract in fiscal year 2006 and \$6,667 year-to-date in fiscal year 2007.

Mr. Dale explained that the firm providing the service had been unable to load the entire number of documents in the first year of the contract; thus, fees were paid only for the portion of files that had been loaded.

Senator Raggio questioned the firm's performance and asked that agency representatives work with the Subcommittee's staff to determine whether funding for the contract could be reduced.

Mr. Dale defended the firm's performance and explained that only half of the estimated 100,000 Legacy documents could be loaded in the first year of the contract. However, Mr. Dale advised that loading of the remainder of the Legacy documents was nearly completed, and an annual maintenance and hosting fee of \$.080 per document would be required for the 100,000 documents.

In response to questions Senator Raggio asked regarding the availability of other companies that could perform the service, Mr. Dale believed that the company under contract was the only one that provided the electronic document storage service.

In response to questions Chairman Arberry asked relative to whether a request for proposal (RFP) had been initiated to find another company, Mr. Dale indicated a formal bidding request for a more competitive company had not been initiated. Mr. Dale explained that the company, under contract, was the same firm working with the Division of Emergency Management (DEM) on their electronic document storage system. Additionally, Mr. Dale reiterated that SPWB representatives had no knowledge of any other firm offering the same technology.

Chairman Arberry asked SPWB representatives to work with the Subcommittee's staff to determine whether there were other more competitive companies that could provide the service.

Chairman Arberry closed the hearing on Budget Account 1560 and opened the hearing on Budget Account 1562.

DEPARTMENT OF ADMINISTRATION – PUBLIC WORKS INSPECTION  
(401-1562) – BUDGET PAGE ADMIN-111

Evan Dale, Deputy Manager, Administration and Finance, State Public Works Board (SPWB), provided the following information:

- The SPWB Inspection Budget Account 1562 provided for the inspection of construction projects and maintenance of state buildings.
- Budget Account 1562 was funded through assessments to the projects included in the Capital Improvement Program (CIP).
- The 2007 CIP reserved \$19.7 million, or approximately 2.2 percent of the entire CIP, to fund Budget Account 1562.
- Decision Unit Enhancement (E)253 recommended funding to increase the number of SPWB positions by 26 percent to support the 2007 CIP, which had increased by twice the size of the 2005 CIP.

- Decision Unit E250 recommended additional funding in each year of the biennium to retain outside legal counsel devoted specifically to SPWB projects.
- Decision Units E275 and E720 recommended funding in each year of the biennium for Primavera-Expedition Software and Department of Information Technology (DoIT) server-hosting services. Funding would also provide semiannual legal and claims management training for SPWB project management staff.

Chairman Arberry asked agency representatives to comment on the recommendation in Decision Unit E253 for \$1,104,223 in fiscal year 2008 and \$1,446,173 in fiscal year 2009 for the addition of 15 new positions.

Mr. Dale explained that the 15 new positions included six project managers, four inspectors, and five administrative staff that would provide the assistance needed to execute the 2007 CIP. However, Mr. Dale said that after conferring with the Subcommittee's staff, the administrative staff could be reduced to three positions. Mr. Dale indicated that the number of new positions requested was based on an estimate of hours required compared with hours available.

Chairman Arberry asked agency representatives when the 2007 CIP projects were projected to be completed and when all of the approved 2005 CIP projects would be completed.

Gustavo Nunez, Interim Manager, State Public Works Board, responded that the schedules for the ninety projects in the 2007 CIP, particularly those critical to the Department of Corrections, would be reviewed with the Subcommittee as the individual projects were presented. Additionally, Mr. Nunez reported that funding for most projects typically spanned four years, and extensions were being requested every biennium.

Mr. Nunez agreed to Chairman Arberry's request to provide the Subcommittee's staff with information on the completion schedule for all approved projects in the 2005 CIP and the recommended projects for the 2007 CIP.

Chairman Arberry addressed the agency's projection that 92,483 hours of project management time and 120,389 hours of inspection time were needed to complete the 2007 CIP. The Chairman noted, however, that including existing personnel and the recommended positions in Decision Unit E253, a total of 87,235 project management hours, and 80,454 inspection hours were available for the 2007-09 biennium.

Mr. Nunez explained that the CIP was developed with a series of tasks and associated hours related to dollars and staff assistance needed for each project. Additionally, Mr. Nunez advised that after approval of the 2005 CIP, the SPWB advertised for inspectors for about a year before one application was received, and only now was the inspection program almost fully staffed. Mr. Nunez said that once staffing was completed, the additional positions, for which funding already existed, would be requested. However, if the hiring process was unsuccessful, the services would be outsourced.

Mr. Dale pointed out that it would be several years before the entire 120,389 inspection hours would be required. Using an example, Mr. Dale said that the inspection hours for the Nevada System of Higher Education Health Sciences project in the 2007 CIP would not begin until the 2011-2012 biennium.

Specifically, Mr. Dale said that 13,000 inspection hours would not be required during the 2007-09 biennium.

In response to Chairman Arberry, who asked whether a more realistic number should have been used, Mr. Dale indicated that currently there were five vacant positions in the Inspection area, and the recommendation in Decision Unit E814 to hire additional construction inspectors would remedy the problem.

In response to questions Assemblywoman Smith asked regarding whether the request for additional inspectors correlated to inflation issues, Mr. Dale advised that the 26 percent increase in staffing was necessary due to the increase of the 2007 CIP, as measured in total funding, compared to the 2005 CIP. Mr. Dale further advised that, as addressed in the agency's January 23, 2007, presentation before the Legislative Commission's Budget Subcommittee, the projected dollar volume of the 2007 CIP was 117 percent more than that of the 2005 CIP. Mr. Dale reported that inflation and the addition of the statewide agency and building projects accounted for approximately 48 percentage points of the increase, while the remaining 69 percentage points represented an increase in workload.

Ms. Smith expressed concern in regard to the large increase in staff because the workload fluctuated with projects in various stages of completion and indicated that additional information regarding the increase in staff to workload would be helpful.

Chairman Arberry noted that the Subcommittee's staff had been advised that an administrative assistant and an accounting assistant that were recommended in Decision E253 could be eliminated.

In response to Chairman Arberry, who asked whether the Budget Division concurred with the proposed budget amendment, Andrew Clinger, Director, Department of Administration, indicated the Budget Division concurred with the reduction in staff.

Senator Raggio discussed the recommendation in Decision Unit E250 for funding in each year of the 2007-09 biennium to contract with private legal counsel for construction-related claims. Senator Raggio noted that correspondence from the SPWB indicated that the funding recommended for private counsel would be transferred to the Attorney General's Office to fund an attorney position to support agency needs.

In response to Senator Raggio, who asked whether the Budget Division concurred since the proposed budget amendment had not yet been received, Mr. Clinger advised that the Budget Division concurred, and the proposed amendment would be forthcoming.

Senator Raggio noted that the SPWB currently paid the Attorney General's Office \$241,000 annually for legal services and asked agency representatives to comment on whether the cost for the proposed contract funding to retain outside legal counsel would be in addition to the amount already paid to the Attorney General's Office.

Mr. Nunez advised that the funding proposed to be transferred to the Attorney General's office would be used to hire an attorney experienced in new construction contracting and would be in addition to the Deputy Attorney General now assigned to the SPWB.

Senator Raggio asked whether the funding proposed for the new attorney would obviate the need to spend nearly \$500,000 over the biennium for services the Attorney General's office provided.

Mr. Nunez explained that the existing Deputy Attorney General would continue to assist with SPWB meetings, issues, and the qualification of bidders.

Senator Raggio suggested that SPWB representatives discuss the agency's needs with the Attorney General and pointed out that in past litigation issues such as, the Lied library, or the Grant Sawyer building, the Attorney General's Office had hired outside counsel.

Mr. Nunez agreed to discuss a modification to the \$241,000 in annual services with the Attorney General.

Chairman Arberry addressed the recommendation in Decision Unit E814 to increase the salary of 26 existing and proposed building construction inspector positions by two pay grades. The Chairman noted that the Office of the Military currently had a building inspector 3 position that was not recommended for a salary increase and asked how the SPWB recommendation would impact the Office of the Military's position.

Mr. Nunez indicated that if the Office of the Military position was equivalent to the SPWB building construction inspector, he assumed the same 10 percent increase would apply. Additionally, Mr. Nunez explained that the SPWB had little success in hiring qualified building construction inspectors as a result of salary and workload issues. Mr. Nunez indicated that even a 10 percent increase would not compare to what other public and private entities, particularly in southern Nevada, were paying.

Chairman Arberry asked SPWB representatives to address the recommendation in Decision Unit E806 to move 19 existing project manager positions from the classified service to the unclassified service.

Assemblywoman Buckley expressed, for the record, her dissatisfaction with the SPWB budget presentations citing the presenters' inability to answer questions relative to project costs and completion dates, proper cost allocations to the proper accounts, ensuring cost-effective spending, and affirming that project costs would not increase as a result of duplicative inspections. Assemblywoman Buckley indicated she would withhold a vote on the SPWB budget unless questions were answered and the budget presented in a fashion the Subcommittee's staff could understand.

Chairman Arberry expressed agreement with Assemblywoman Buckley's assessment and asked the SPWB representatives to work with the Subcommittee's staff to provide the information that had been requested.

Mr. Nunez thanked the members of the Subcommittee for their comments which he said would be "taken to heart." Mr. Nunez indicated that he would continue to work with the Subcommittee's staff to ensure that all the questions that had been asked were answered in detail.

Chairman Arberry reiterated his earlier request regarding the recommendation in Decision Unit E806 to move 19 existing project manager positions from the classified service to the unclassified service. Specifically, the Chairman asked



how the recommendation would impact a proposal, approved during the 2005 Legislative Session, "that established consistency regarding which positions were unclassified and the compensation for those positions."

Mr. Dale advised that the project managers were considered to be professionals with specialized skills, and the responsibility of the position warranted being placed in the unclassified service.

In response to questions Senator Raggio asked regarding the reclassification of project managers, Mr. Nunez provided the following information:

- The 5 percent increase was anticipated to provide some assistance with recruitment and retention.
- The salary range for project managers, architects, and engineers was in the \$70,000 to \$90,000 range.
- Project managers, architects, and engineers earned \$115,000 to \$125,000 in the private sector. Mr. Nunez recalled a recent applicant who received an offer to manage an expansion project for a casino in Las Vegas at two and a half times the state salary.

Senator Raggio indicated the recommendation was worthy of consideration after taking into account the difficulty encountered in filling positions.

In response to Chairman Arberry's request for additional information regarding the recommendation in Decision Unit E720 for new equipment, Mr. Dale advised that the request included two servers that would host the Primavera project management software recommended in Decision Unit E275. Mr. Dale explained that the two servers and the Primavera software upgrade would allow the SPWB to require architect/engineering teams and contractors to maintain project information on the SPWB system and would provide the ability to quickly and accurately assess project status.

Additionally, Mr. Nunez advised that the electronic system would archive documents and provide information by date and time on documents generated by architects, engineers, contractors, or SPWB staff. Mr. Nunez indicated that the ability to provide documents in an electronic format would prove invaluable in the event of a dispute and would save money relative to prosecuting or defending a claim. Additionally, Mr. Nunez explained that the servers and the software would benefit the agency and contractors by the speed in which documents could be generated.

In response to Chairman Arberry's request for information regarding the recommendation in Decision Unit E807 to reclassify a construction project coordinator 3 position to a building inspector 4, Mr. Dale described the recommendation as a "housekeeping" issue and a "zero-cost decision unit." Mr. Dale explained that the person currently employed as the project coordinator was a building inspector who performed the duties of an inspector 3.

Assemblywoman Smith referenced the recommendation in Decision Unit E814 to increase salaries for building construction inspectors and recalled hearing that the SPWB contracted with project managers for projects valued at \$10 million and over. In an effort to ensure that services were not being duplicated, Assemblywoman Smith asked that information on project managers with whom

the SPWB contracted and in-house project managers be provided to staff for analysis.

Chairman Arberry closed the hearing on Budget Account 1562.

CAPITAL IMPROVEMENT PROGRAM DETAIL BY PROJECT – APPENDIX  
PAGE 7 & 8

PROJECT 07-C20 – AGRICULTURE HEADQUARTERS AND LABORATORY  
(05-P09)

Gustavo Nunez, Interim Manager, State Public Works Board (SPWB), appeared before the Subcommittee to report that the 2007 Capital Improvement Program (CIP) recommended funding to construct a new office and laboratory building for the Department of Agriculture. The project designated as CIP 07-C20, was designed under CIP 05-P09, authorized by the 2005 Legislature

Mr. Nunez reported that the following points related to the Department of Agriculture's mission:

- Protect Nevada's agriculture and related industries
- Protect the public and food chain
- Provide required infrastructure to meet agency mission
- Rectify life-safety code violations

Don Henderson, Director, Nevada Department of Agriculture, testified that the Department of Agriculture's office and laboratory had been located in its present, privately leased facility for 46 years.

Mr. Henderson reported that the Department's Animal Disease and Food Safety Laboratory's space did not meet current testing demands for emerging or existing zoonotic diseases such as, West Nile Virus and Avian Influenza, which had the potential to be transferred between animals and humans. Additionally, he reported that the current facility did not provide a secure environment to retain reference samples of all identically occurring pathogens that had the potential to be used in weapons of mass destruction.

Mr. Henderson advised that additional space could not be leased because of specific design requirements that were needed to comply with federal and state laws. He explained that the Department's laboratories were subject to accreditation through the National Animal Health Laboratory Network and the American Association of Veterinary Laboratory Diagnosticians to meet safe handling requirements of diagnostic specimens and isolated pathogens. Mr. Henderson said that certification by the International Standards Organization could not be obtained for any of the laboratories within the Department's leased facility. Additionally, he reported that the Animal Disease Laboratory's current configuration and infrastructure prevented obtaining a needed Biosafety Laboratory II Plus Certification. Mr. Henderson also pointed out that the facility's inadequate electrical systems did not meet modern laboratory equipment grounding requirements.

Additionally, Mr. Henderson said that as a result of space limitations and overcrowding, egress was obstructed because hallways were used for file storage and laboratory equipment.

Mr. Henderson reported that the 1997 Legislature provided funding for a study of the Department's laboratory and office space needs, and the 2005 Legislature authorized funding to design the facility with costs thus far totaling approximately \$2 million for the study and design phases.

Mr. Henderson said the existing facility had exceeded its useful life, and in fiscal year 2008, the Department would pay nearly \$250,000 in lease costs for an antiquated facility with insufficient space. Mr. Henderson expressed concern that a failure to fund Project 07-C20 could lead to a situation whereby the facility would not be constructed as a result of inflationary costs, which he said would result in a loss of the state's investment thus far.

In response to questions Senator Raggio asked regarding the Department's current lease at 350 Capital Hill Avenue, Rick Gimlin, Deputy Director, Department of Agriculture, advised that the existing lease was to have expired in March 2007 but was renewed for two years.

In response to questions Senator Raggio asked regarding the projected length of time for construction to occupancy of the new facility, Mr. Nunez indicated that the project would be advertised in July, and bids would be opened in August. Mr. Nunez anticipated that, with a successful bid, construction would begin in September and would take approximately 12 to 14 months to complete.

In response to Senator Raggio, who asked whether costs were included in the project cost estimate for the extension of Hymer Avenue and a 325-car parking lot, Mr. Nunez indicated that costs were included for the parking lot.

Senator Raggio noted that the project included funding of \$315,702 or 1.4 percent of the recommended project's construction cost for extended project management services and asked how the fee was determined.

Mr. Nunez advised that project managers averaged approximately eight projects each and projects that exceeded \$10.0 million would utilize private contractors to provide extended project management services, including documentation control in the field, schedule reviews, and onsite assistance to ensure the builder's needs were being met on a timely basis.

In response to Senator Raggio, who asked whether the project would be continually monitored, Mr. Nunez advised that a very large project would proceed from schedule reviews to a full-time onsite presence.

Senator Raggio noted that laboratory space was more costly to construct than office space and asked the SPWB representatives to provide the square foot costs for each type of space in the main building of the proposed facility. Additionally, Senator Raggio noted that the recommended project estimated the greenhouse space to cost \$800 per square foot and asked why the cost per square foot was so high.

Mr. Nunez attributed the high cost to the greenhouse control mechanisms that would be required and also because of its small size, which was only 1,200 square feet.

Senator Raggio asked that the Subcommittee's staff be provided with information on the square-foot costs for each type of specialized space in the main building.

Assemblywoman Buckley requested additional information regarding how the funding for the extended project management fee was calculated and whether the fees were paid at an hourly rate or a contracted amount.

Mr. Nunez advised that the number of hours required to accomplish the various tasks were calculated for each project, and currently, including total overhead costs, a project manager 2 would be paid the Public Works Board rate of about \$110 an hour and inspectors would be paid \$65 an hour.

In response to Assemblywoman Buckley, who asked specifically how the extended project management fee was calculated, Mr. Nunez advised that a fee schedule was developed based on project size, scope of work, and the consultant's billing rates.

Assemblywoman Buckley requested a breakdown on both the SPWB project management and inspection fee and the extended project management fees. Assemblywoman Buckley indicated an assessment was needed to determine whether the \$770,000 calculation was reasonable for the size of the project and that project costs were not being unnecessarily increased.

In response to questions Assemblywoman Buckley asked regarding private contractors' provision of extended project management services, and the State and cities' provision of inspection services, Mr. Nunez clarified that local entities had no jurisdiction to inspect SPWB projects. Additionally, Mr. Nunez advised that the SPWB inspectors, who provided full-time services, inspected projects for code violations and also provided observation and reporting services in addition to assisting the management team. Mr. Nunez further advised that project managers did not provide full-time services on each project.

Chairman Arberry noted that Project C20 included \$154,161 for moving costs that were currently recommended to be paid with general obligation bond funds. Chairman Arberry asked whether there were any agency funds that could be used for moving costs in lieu of bond funds.

Mr. Henderson advised that there were no Department of Wildlife funds in the recommended budget that could be used for moving costs.

Assemblywoman Smith noted that some furnishings and equipment appeared to be duplications of furnishings and equipment the agency already owned. Assemblywoman Smith asked the SPWB to work with the Subcommittee's staff to ensure there was no duplication of furnishings and equipment.

Mr. Nunez agreed to provide information on how the furnishings and equipment costs were estimated.

Mr. Nunez provided the Subcommittee with copies ([Exhibit D](#)) of the Agriculture Headquarters and Laboratory Building Vicinity Map.

Assemblywoman Smith reviewed the map and asked for clarification on whether Hymer Avenue was being extended, Mr. Henderson advised that the building site would be accessed from North Street and Hymer Avenue was not being extended. Additionally, Mr. Henderson pointed out that the map showed that the Weights and Measures building was included within the grounds of the Department's new facility.

In response to Assemblyman Marvel, who questioned the site plan, Mr. Nunez clarified that the land on which the facility was to be constructed was currently vacant.

Chairman Arberry closed the hearing on CIP 07-C20.

PROJECT 07-C28 – LAKE MEAD LAW ENFORCEMENT HATCHERY UTILITY STORAGE

Chairman Morse Arberry opened the hearing on the Capital Improvement Program (CIP) Project 07-C28 for the Lake Mead Law Enforcement Hatchery Utility Storage with a discussion on major issues.

Chairman Arberry noted that the project's Architectural and Engineering (A/E) Design and Supervision fee was approximately 7.6 percent of the project's preinflation construction cost and asked how the fee was determined.

Gustavo Nunez, Interim Manager, State Public Works Board (SPWB), attributed the \$134,842 project management and inspection fee to costs associated with the consultant selection, design, construction, and administrative phases of the project. Mr. Nunez explained that the metal building was predesigned with a "simple straight-forward" type of structural engineering.

Chairman Arberry indicated the fee appeared to be excessive since the facility was a simple metal building with an existing building pad.

Mr. Nunez advised that the same steps had to be followed for the metal structure that would be followed for a more complicated project.

Chairman Arberry noted that funding of \$10,516 was recommended for surveys and soil analysis and questioned why surveys and soil analysis costs were necessary for a project with an existing building pad.

Evan Dale, Deputy Manager, Administration and Finance, SPWB, explained that the reference to the existing pad meant that the pad was dirt and that no earth work had been completed. Mr. Dale defined the site as "a rough, graded area" for which a soil survey would be required before construction took place.

The Chairman indicated that according to information he had, the project was to be constructed on an existing building pad that had been constructed with funds from a previous CIP.

Mr. Nunez said he would look into the issue and provide additional information to the Subcommittee's staff.

Senator Raggio noted that funding sources for the hatchery refurbishment Project, CIP 03-C12, included federal funds, Question 1 bond funds, and general obligation bonds that were being repaid using trout stamp fees. Senator Raggio asked whether it would be appropriate to use the same funding sources for the cost of the recommended project.

Mr. Nunez indicated the request to the SPWB was for state funds, but he would check into the availability of other funding sources.

Chairman Arberry closed the hearing on the Lake Mead Law Enforcement Hatchery.

CAPITAL IMPROVEMENT PROGRAM EARLY FUNDING REQUESTS

CAPITAL IMPROVEMENT PROGRAM (CIP) 07-MO1 – HVAC REPAIRS, ELY STATE PRISON

Gustavo Nunez, Interim Manager, State Public Works Board (SPWB), reported that during a January 23, 2007, legislative presentation, the State Public Works Board provided information on a number of projects that could have been expedited through early funding. Since that time, however, the SPWB had been made aware of certain restrictions that prompted an early funding request for only two projects.

Mr. Nunez began his presentation with the 2007 M01 request for heating, ventilating, and air conditioning (HVAC) repairs at the Ely State Prison, which was originally estimated at \$2.2 million. Mr. Nunez explained that the project had been deferred by the 2005 Legislature, and when it became clear that an emergency situation would be faced if the units were not repaired, costs were estimated in March 2006 at \$2.2 million.

Mr. Nunez advised that to prevent an emergency situation, some of the air handling units at the Ely State Prison had been modified to allow heat to move through the units to heat the buildings, but the current configuration did not allow for cooling. Mr. Nunez said that early funding authorization would correct the problem units in time to provide air conditioning by the time outside temperatures began to increase, and the remainder of the project could be completed after July 1, 2007.

Mr. Nunez reported that the Department of Corrections had provided funds for a pilot project on two air handlers of different sizes that determined costs and the type of equipment that would need to be manufactured. The pilot project was completed after working with a fabricator from the Salt Lake area and an Ely contractor. The \$435,000 cost, determined through the pilot project, was considerably less than the initial \$2.2 million estimate, and Mr. Nunez guaranteed that with early funding authorization, \$341,000 worth of the work could be completed between April 1 and June 30, 2007. However, Mr. Nunez indicated that unless work began by the first week in April, he could not guarantee completion by June 30. Additionally, Mr. Nunez said that authority was needed to bypass the normal advertising process and to negotiate directly with the contractor in Ely, who had guaranteed the cost and schedule assuming work began the first week in April.

In response to questions Chairman Arberry asked regarding damages if the contractor defaulted, Mr. Nunez advised that all SPWB contracts contained provisions for liquidated damages (an amount agreed to be paid by the defaulting party). Additionally, Mr. Nunez explained that the units manufactured and installed, under the pilot project, were modified to provide for easier installation, and he reiterated that the contractor was committed to meeting the June 30 schedule.

In response to Chairman Arberry's expression of concern regarding what had been accepted as typical project cost overruns, Mr. Nunez pointed out that if conditions differed from the plans, the contractor deserved to be compensated. However, Mr. Nunez advised that completion of the pilot project had provided assurance that contingencies were not anticipated to be encountered.

Senator Raggio indicated that the SPWB had provided the justification for the project, and he would ask the Senate Committee on Finance to request a bill draft to provide early funding for the HVAC repairs at the Ely State Prison and for the tile repair at the Grant Sawyer Building in Las Vegas.

CIP M02 - GRANT SAWYER BUILDING TILE, CONCRETE, FOUNTAIN, AND FLAG POLE

In response to questions Assemblyman Marvel asked regarding collecting monies from the Grant Sawyer Building tile litigation, Mr. Nunez advised that deficiencies to the existing construction were being reported to legal counsel as encountered, and those deficiencies were being incorporated into the current claim.

In response to questions Assemblyman Marvel asked regarding costs for the Grant Sawyer tile project, Mr. Nunez indicated the costs would be borne by the State while awaiting the outcome of the legal proceedings. Additionally, Mr. Nunez declined to speculate on the amount of money that could be recovered and said that question might be better answered by counsel.

Mr. Nunez advised that under the present contract and assuming early funding was authorized, the contractor projected completing the tile work for the Grant Sawyer Building, including all change orders, by August 1, 2007.

Chairman Arberry adjourned at 10:40 a.m.

RESPECTFULLY SUBMITTED:

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Connie Davis  
Committee Secretary

APPROVED BY:

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Assemblyman Morse Arberry Jr., Chairman

DATE: \_\_\_\_\_

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Senator William Raggio, Chairman

DATE: \_\_\_\_\_

<u>EXHIBITS</u>			
<b>Committee Name: <u>Assembly Committee on Ways and Means/Senate Committee on Finance Joint Subcommittee on Higher Education/Capital Improvements</u></b>			
<b>Date: <u>February 22, 2007</u></b>		<b>Time of Meeting: <u>8:00 a.m.</u></b>	
Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Robin Reedy, Deputy State Treasurer	Prepared Remarks
	D	Gustavo Nunez, Interim Manager, State Public Works Board	C20 Agriculture Headquarters and Laboratory Building Vicinity Map