

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON GOVERNMENT AFFAIRS**

**Seventy-Fifth Session
February 6, 2009**

The Committee on Government Affairs was called to order by Chair Marilyn K. Kirkpatrick at 8:02 a.m. on Friday, February 6, 2009, in Room 3143 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/75th2009/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).

COMMITTEE MEMBERS PRESENT:

Assemblywoman Marilyn K. Kirkpatrick, Chair
Assemblyman David P. Bobzien, Vice Chair
Assemblyman Paul Aizley
Assemblyman Kelvin Atkinson
Assemblyman Chad Christensen
Assemblyman Jerry D. Claborn
Assemblyman Ed A. Goedhart
Assemblywoman April Mastroluca
Assemblyman Harvey J. Munford
Assemblywoman Peggy Pierce
Assemblyman James A. Settelmeyer
Assemblywoman Ellen B. Spiegel
Assemblyman Lynn D. Stewart
Assemblywoman Melissa Woodbury

STAFF MEMBERS PRESENT:

Susan Scholley, Committee Policy Analyst
Scott McKenna, Committee Counsel
Cynthia Carter, Committee Manager
Renee Ekleberry, Committee Secretary
Olivia Floyd, Committee Assistant

OTHERS PRESENT:

Gustavo "Gus" Nuñez, Manager, State Public Works Board
Michael E. Skaggs, Executive Director, Division of Economic
Development, Commission on Economic Development

Chair Kirkpatrick:

[Roll taken. Quorum present.]

I invite Mr. Nuñez to give his presentation on Public Works. In Government Affairs we hear a lot of Public Works bills, and we will have some serious discussions. Be sure to ask Mr. Nuñez plenty of questions.

Gustavo "Gus" Nuñez, Manager, State Public Works Board:

With me this morning is Chris Chimits, Deputy Manager of Professional Services. In the audience is Susan Stewart, Construction Law Counsel for the State Public Works Board (SPWB). My presentation ([Exhibit C](#)) is an overview of our responsibilities and how we meet them, agency accomplishments, implementation of laws from the 2007 Session, proposed revisions requested this session, and a brief description of our efforts relating to green building standards.

Our mission statement defines our responsibilities. One of those responsibilities is to develop, manage, and implement the Capital Improvement Program (CIP) for the State of Nevada. As the building department responsible for all projects on state-owned land, it is our mission to regulate the design and construction, and to safeguard the public health, safety, and welfare.

We also play a major role in developing the funding for the CIP. This includes assisting the Treasurer's Office with timing, amount, and investment of general issue bonds proceeds, as well as maintaining separate accounts for each project. We develop and implement the CIP, so in that part of our work, you could say we act as a developer. In the CIP bill passed every session, the money is allocated to the State Public Works Board. In some respects, we act as a bank. Therefore, we do a lot of reporting as would any bank. In dealing with public monies, we report to the Interim Finance Committee (IFC) every month per the *Nevada Revised Statutes* (NRS), and then we are the building department for the State of Nevada.

We develop the CIP for the state by taking requests from all agencies and preparing cost estimates and narratives detailing the scope of work which defines the project. We then prioritize the requests. The Board holds hearings,

and then the Board recommendations are given to the Governor by October 1 of even numbered years. This is per NRS Chapter 341.

Upon passage of the CIP by the Legislature, we proceed with the design and construction of the projects, check for code compliance, and report and respond to other governmental agencies. We inspect and report the conditions of state-owned buildings, and we perform financial management and report on the status of the CIP.

Our Project Managers General Task List ([Exhibit D](#)) outlines the 143 steps required to successfully implement a project in accordance with the NRS, the *Nevada Administrative Code* (NAC), the CIP bill, and other state agency requirements.

To give you an idea, in this last round of developing the CIP, which started in January and will continue through August, we received approximately 180 requests we were required to analyze. That analysis took approximately 4,500 hours of staff time to go through all of those requests as required by NRS 341.191(2). It requires that projects over \$10 million be scheduled to receive funding for design during one biennium and for construction in the subsequent biennium. After several SPWB hearings, we prioritize the list. After that, projects are recommended to the Governor.

The top criteria for selecting projects are: critical maintenance, life safety, and legal projects; statewide maintenance projects; completion of furniture, fixtures, and equipment (FF&E) projects; deferred construction projects; required Department of Corrections projects; continuation of 2007 planning projects; new construction projects; and, finally, planning projects. The only reason deferred construction projects are on this priority list is because, during the last biennium, due to budget shortfalls, some projects were deferred to release cash back into the General Fund.

The SPWB criteria for prioritizing projects are: take care of existing facilities before contemplating new ones, complete what has been started, and meet the needs and requirements of state agencies such as Corrections and Health and Human Services. We call these "must do" projects.

We then continue with planning projects designed during the prior session. The remainder of projects then becomes much more discretionary.

We currently use the three construction procurement methods available through the NRS. We use Construction Management at Risk (CMAR) for large and/or very complex projects. We use Design Build for projects that can be defined in

detail and priced by a contractor at the start of design. We use Design Bid Build for the more traditional projects. The majority of our contracts are Design Bid Build.

The volume of work last fiscal year was \$364 million. This was our biggest year so far. Our CIP has been growing.

Chair Kirkpatrick:

Mr. Nuñez, I kind of know what is on the horizon, so could you go back to the procurement method and explain the Design Bid Build process? I know you explained Design Build. Could you also explain Construction Management at Risk? We have a lot of new faces on this Committee, and I would like to make sure they are very clear on what those particular procurement methods are.

Gustavo Nuñez:

These three procurement methods are the ones public agencies such as ours utilize. They are covered in NRS Chapter 338. Construction Management at Risk is also addressed in NRS Chapter 341. Design Bid Build is the traditional method that the State Public Works Board has used for a long time. In Design Bid Build, the owner—in this case the state—hires the architect to design the project. We then put the project out for competitive, open bids in a public setting and then award to the low bidder. Currently, low bid is defined in the NRS as the "best bid" because we take other factors into consideration.

In Design Build, instead of the state having a contract with the architect and a contract with the contractor separately, the state hires the designer and the contractor as a team. The contractor the state hires is determined through qualifications rather than cost; however, cost does enter into the equation. The law requires that the cost be 30 percent of the scoring to award that contract. At that point the project has not yet been designed. They must be able to price the project out so that when the state enters into a contract, there is a guaranteed maximum price.

In other words, the Design Build team says, "We will do this project for 'X' amount of dollars." The project has been defined at that point. It has to be a straightforward project, one that can be priced before the actual design takes place. The types of projects we would consider for Design Build would be, for instance, a parking structure or fairly standard general office building with nothing special. That building would include only offices, conference rooms, and building support such as elevators, restrooms, and emergency staircases. The project would be very straightforward. The construction can be priced up-front using a topographic boundary map, a soils report, and the required square footage. It can be defined and priced.

The last Design Build project was the Automotive Technology Building for College of Southern Nevada (CSN). The Bryan Office Building in Carson City and the Telecom Building on the CSN Cheyenne campus in Las Vegas are Design Build. That second building looks just like the service department of a new car dealership. The only difference is there are offices and classrooms attached to it. That type of project is well defined up front. Once the contract is awarded, the project is designed and built in eight or nine months. Design Build is a very quick method of getting projects built.

The Construction Management at Risk (CMAR) is similar, but we do hire the architect in this case, so that the design team is working for the state, not with the contractor. Again, the selection is based on qualifications, and 30 percent of the score is based on fees. It goes back to cost. Once the contractor is selected, he is at the table with the design team, and we are there representing the owner—the state—and the using agency. The contractor follows the design process and simply becomes part of the team. That is done on what we call a pre-construction services contract.

Once the design process is complete, a guaranteed maximum price is provided by the contractor to the state. At that point, assuming that everything is within budget for the scope of the original project, we then proceed with a Design Services Contract. After that, we handle the rest of the project similarly to how we handle a Design Bid Build project. The architect is working for the state. The contractor is on contract with the state. Together we go out and build the project.

Assemblyman Claborn:

I have been an operating engineer all my life. The biggest thing we run into is the design process. When you award a contract—you get the contractor—you get the designer. Automatically, when the job is nearing completion, there are cost overruns. Then, it seems, there is a big, terrible fight. We go to court, and we lose every time. It seems as though when we bid out a contract, there are always cost overruns because of design. They blame it on you saying you needed more room and changed the design. All of a sudden, no one wants to pay for the cost overruns.

In 1977, when we built the Briscoe wastewater treatment plant in Clark County, there was a controversy over \$10 million in cost overruns and changes. That controversy cost the state over \$100 million to pay for that \$10 million. You folks are probably familiar with some of that.

I know what the law says about when you award contracts. We really need to rate by job completions and track records. Some of the time they throw out good contractors, bad contractors, whatever. The criteria could just be the lowest bidder. That is why we have 99 percent of these cost overruns. They blame these cost overruns on contractors. A lot of time the state public works designer is tied up with the contractor from the beginning.

You folks need to look at this thing when you design these projects and make sure you have the train going on straight tracks without any curves. I have been doing this for 51 years, and I know the situation. A lot of people are not privileged to understand what is really happening here. We need to look into this, and we need to face reality and try to save the state some money.

Chair Kirkpatrick:

Did you want to respond?

Gustavo Nuñez:

All I can say is that we are presently litigation-free. Last year was our biggest year, and you can see the amount of square footage of building we turned over.

I will address some of those concerns regarding the low-bid process. That process has some problems. All three of these procurement methods have good points and not-so-good points. For instance, there may be a large and/or complex project, such as a major remodel of a building like a university or community college building, where we are doing a major remodel while the building has to be occupied. It is extremely difficult using the low-bid method on a project like that. Every time you forget any one condition that you have to follow while trying to do the work in that environment, of course, the contractor will say, "I did not anticipate that. You did not tell me about it, so I am asking for additional dollars."

In situations such as that, using CMAR, the contractor is at the table with the design team, the owner, and the using agency. We can address those issues up front, and they can be planned and scheduled. The additional procurement methods now allowed, by statute, for public agencies to use should help us try to prevent some of these cost-overrun situations. As time goes by, I think we are getting better. Some of these new tools will help considerably to get us there.

Again, I want to point out, we are litigation-free and have been litigation-free for quite a few years.

Assemblyman Munford:

As I look through this slide presentation and I hear your testimony, I see nothing mentioned in the bid process about any of these companies that are bidding using diversity in their hiring practices. I do not see anything mentioned in that process at all. Should that not be a recommendation when you are accepting a bid, that they would be required to have a diversity program in place? That seems to be the trend in the state and the nation that you have to look in terms of diversity.

Gustavo Nuñez:

The federal government does have requirements. Current state law does not have anything in the law that would allow us to implement this.

Assemblyman Munford:

We should.

Chair Kirkpatrick:

You have two bill drafts coming up, Mr. Munford.

Gustavo Nuñez:

We will follow whatever policy is established by the Legislature, and I concur with you.

Assemblyman Munford:

I think that is a serious situation that should be addressed because we are being a little shortchanged in that area.

Thank you for the recommendation, Madame Chair.

Assemblywoman Spiegel:

I do not really understand when you would use Design Bid Build versus Design Build versus Construction Management at Risk. Please clarify some of the instances for me. Additionally, could you explain the differences in costs associated with the three different types and explain the cost savings of each?

Gustavo Nuñez:

The State Public Works Board uses the CMAR procurement process primarily for large and/or specialized and complex projects. At this time, we have medical buildings we are reviewing for the Medical Schools at both the University of Nevada, Reno (UNR) and the University of Nevada, Las Vegas (UNLV) campuses. These are buildings that have classrooms, laboratories, and offices. All of those components—from a mechanical and lighting perspective—function

differently in a medical environment, so those systems are quite complex. That type of project and very large projects are difficult.

We are currently working on designing the new prison at Indian Springs in the south. This is a very large—over \$200 million—project with lots of risk involved. We want the contractor at the table with the designer from the beginning to find the best construction methods and most economical way to go on every one of those building components.

Sometimes it is not the type of construction, but the complexity of the coordination that determines the building method. For instance, doing a major remodel on a building while the building is occupied, and coordinating all the logistics that go along with that, is very complex. During a major remodel, people must be moved from one area to another in order to do tear down/demolition and then the reconstruction of those areas.

Those are the kinds of projects and criteria we use when deciding whether a project should use CMAR or not.

We primarily use Design Build when a contractor and an architect have gotten together as a team. They come to the State Public Works Board and say they will do that defined project for "X" amount of dollars. That is prior to the project being designed. They have to be able to price out the project completely—the design and construction—before it is even designed. This is not an easy task. Therefore, it is incumbent upon the owner to be able to specifically design every component of that building down to the hardware on the doors, the type of doors, and the type of light fixtures. It has to be that detailed so they can price it out.

It is important for them to be able to give a guaranteed maximum price for that project. On both methods, Design Build and CMAR, the prime contractor always has a contingency to take care of various items and gaps in their estimating process.

At the end of the project, usually in the process of finish and cleanup, there might be 10 to 20 trades working on the building. Finishes get damaged. Trying to figure out who did it is almost impossible, so the prime contractor picks up those kinds of costs. They fix it or take care of it and then turn the building over to the owner.

At the end of the process, when it is all done, if there is any money left over on that contingency, or on the cost of the work, we benefit on that mistake. The

state gets anywhere from 30 percent to 50 percent of that cost back. That is in CMAR and Design Build.

Design Build must be a project that is very definable. For instance, it could be a parking structure or a general office building with just offices and open space, work stations, and conference rooms. That project can be defined without a lot of difficulty. For the rest of the projects, we still use the low-bid method which is Design Bid Build.

For each of these methods we prequalify any of the contractors before they can bid on any public works. That is in accordance with NRS provisions and NRS Chapter 338. The more scrutiny you allow under those laws to prequalify those contractors, the better job we can do in preventing problems and issues later on. We are restricted, by law, to the things we can look at in order to prequalify a contractor. We do not just automatically set up any criteria we want. The law tells what we may use to prequalify contractors.

We find a cost difference when we utilize Design Build. The Bryan Building cost about \$129 a square foot. Today, that is unheard of—we would be looking at about \$300 per square foot. The total project cost was about \$175 a square foot.

Typically, we analyze the type of project and set up the proper criteria to determine what is appropriate for various projects. Any one of these methods can yield the best cost for the state, the owner. You cannot try to force any one of these methods on a project that does not lend itself to it. That is when money is spent for no good reason. That is why we use the low-bid method. We feel that gives the best value to the state.

For other projects, we may select Design Build, as those types of projects can be built quickly. The last project we did was at College of Southern Nevada (CSN). Design and construction on that project was done in eight to nine months. If we would have done the design, then the plan check, then the bidding, then the award, then the construction, that project would have taken probably two years. We can build facilities quite quickly if they lend themselves to the process.

We built dorms for emergency housing requested last session. The Department of Corrections was out of beds and needed beds right away. We built a dorm at the Florence McClure Women's Correctional Center, two were built at Southern Desert Correctional Center, and one was built here at the Northern Nevada Correctional Center in Carson City. For those, the legislators appropriated the money, and it became available July 1. By July 1, we already had a

Design Build team selected and ready to proceed. All of those dorms were completed between July 1 and February of the following year. That was Design Build, which is a very quick method of building. Each one of those dorms has 240 beds. Construction costs—not total project costs—for each one of those dorms came in at \$7 million to \$8 million each.

We are now building the prototype for medium-security to high-security beds. We call that design the "Nevada T." The building being used here in Nevada is a modification of the "Arizona T." They run \$22 million to \$23 million for about 270 beds or 168 cells.

If a building is being used for "close custody," it may have only half the beds. If it is being used as "medium custody," some of those cells can be double-bunked. They can have anywhere from 250 to 270 beds depending on the type of inmate being housed. You can see the cost difference between those. Again, the project has to lend itself to the procurement method or you are not, from a cost perspective, going to be very effective.

Assemblyman Settlemeyer:

In the past we have had some issues with not receiving enough bids on certain projects. That, sometimes, has been due to certain departments writing the contract so specifically that it really applies only to one or two local vendors. Are those issues being remedied?

Gustavo Nuñez:

Yes. The statutes prevent us from "sole-sourcing." There are very few things we are allowed to sole-source. For instance, obviously for corrections projects, we might sole-source locks and keys. They must be uniform throughout. If you are working on a particular college or community college campus, some of the plumbing fixtures in the bathrooms may be from one source. Maintenance cannot stock parts for every type of different fixture made, so those are sourced at their request. We will not sole-source a contractor, though we may sole-source a particular product. Other than those types of things, we cannot and are not allowed to sole-source.

Assemblyman Settlemeyer:

I guess my question comes from past situations. The state would order ten trucks or ten vehicles. Someone would specify that the vehicle had to have two batteries, only on the right side. That would then dictate only one dealer. Then they started specifying that the vehicles had to be capable of being picked up and serviced at a local dealership within a three-hour period. Tricks like that have been done in the past. I am trying to make sure they will never be done again.

Gustavo Nuñez:

No. For products we always list a minimum of two unless there is a very specific requirement, and that goes to a product and not a particular supplier or contractor. No, we do not practice that sort of thing.

We answer to five Board members who are licensed contractors. They definitely keep an eye on everything we do. In addition, we have to follow the law. We report to the Interim Finance Committee (IFC) and everyone else, so we are very transparent.

Chair Kirkpatrick:

I am going to wait. For your information, I have your audit here. Then I want to start on the Green Building Design and Construction ([Exhibit E](#)) because I am very concerned about that. I spent a lot of time last session making sure we do not get those kinds of projects anymore. I see you going in that direction.

I would like to disclose that I am in sales. I deal with purchasing and I deal with getting bids all day long. When I want my croissant to be on the MGM bid, I say, "Coccinelle 3.5 ounce, 280 count product." There is nobody else who can bid on that. I do that on purpose so I guarantee how much I am getting, what my product will be. I work for the private industry—that is my job. That is how I get paid. For the public industry, I look at those bids all the time. Some specify we have to have Heinz Ketchup. In elementary school, I am fine with having ketchup on the corndogs, but must it be Heinz Ketchup in a certain pack size? Unless Heinz is giving the local school district a break, school children do not care what kind of ketchup they get. Honestly, they just want something to dip that corndog in and go outside and play.

We do a terrible job on the state level. I am not done with this issue. I am coming back after the Committee members are done.

I just want you to think about this. My husband is a plumber. When hotels are being built, they can get the cheap faucets made in wherever, or they can get the Kohler. There is one hotel that has a McDonald's in it—a McDonald's downtown—all done in black marble with big, expensive, fancy Kohler fixtures. We go visit his jobs just to see how ridiculous they are. People are not looking at that. On the state level, we do exactly the same thing.

Last session the Supreme Court came before us wanting a specific kind of chiller. I know you all remember this. At the end of the day, we were not even getting the maintenance contracts that go with the chiller. We are replacing the

chiller in two years. Whoever is doing the specifications really needs to get out of the office, go see how they work.

Public Works is just as guilty. Throughout the state agencies, we are going to make some serious changes. From my own personal experience I know how it works. I think that we purposely do not want other companies bidding on a project. No disrespect to the Mayor, because I am sure he is listening, but I am still trying to figure out why it is that this one little city, Carson City, sells more cars than are sold in Las Vegas. I have not figured that out. I am just saying that we are going to have this discussion today and on Monday.

Assemblyman Aizley:

Is it possible for a state agency to construct a building or do some kind of project on its own without going thorough Public Works? Can you grant them the ability to do that?

Gustavo Nuñez:

We can delegate the ability to do a building. The only part of our authority that we cannot grant or delegate, by law, to an agency is the building official duties of the Public Works Board. One of the sections of the NRS assigns the deputy manager for code enforcement. He is the building official of the State of Nevada. That is just like any building department. They do plan check and inspections. They are not concerned with cost. They are not concerned with schedule. Their only responsibility and authority is to enforce the code, no matter what. That we cannot delegate. That is the only thing that has to stay with Public Works whether an agency is doing it or we are doing it. That always stays in place.

Assemblyman Aizley:

Would there be one code officer? For instance, is there one for plumbing and for electrical or are there several code officers?

Gustavo Nuñez:

It depends. We do have combination inspections. Those who actually do the inspection are qualified inspectors. They have gone thorough certification by the International Code Council (ICC). We went to the International Building Code family. The uniform building code no longer exists. Now it is being published and has been taken over by the International Code Council, and our inspectors are all certified by the ICC.

Assemblyman Aizley:

Otherwise an agency could build using those code inspections?

Gustavo Nuñez:

That is correct. They would have to come to us and to the Board for delegation. The Board would decide whether to delegate the authority to the agency or not.

Assemblywoman Pierce:

When using Design Build, how is the contractor/designer team chosen?

Gustavo Nuñez:

It is chosen on qualifications and on costs. The law requires that 30 percent of the score be based on the cost of the project. The other 70 percent is based on the qualifications. It is a two-step process.

Assemblywoman Pierce:

Is it the same with Construction Management at Risk? Are the contractor and designer chosen in the same manner?

Gustavo Nuñez:

The designer is chosen just like we do on Design Bid Build. The designer team is picked on qualifications only by law. On CMAR, the contractor is selected on qualifications and cost. Again, cost is 30 percent, the same as Design Build.

Assemblywoman Pierce:

You said most of what you do is Design Bid Build. What is the percentage? Can you break those three down by a percentage?

Gustavo Nuñez:

Yes. I can probably give you a better percentage in number of projects rather than dollars. In number of projects, Design Bid Build is probably 80 percent. Design Build and CMAR split the other 20 percent.

Assemblywoman Pierce:

Do you tend to work with the same designers and contractors most of the time? Do you get new people bidding all the time?

Gustavo Nuñez:

For selection of both design-team architects and/or engineers, we advertise that. We do not maintain a list. We advertise in the local papers, and we also advertise on our website. We just go from there. Those who apply, in my opinion, are who I consider the best firms in the state. Everyone must like doing business with the State Public Works Board because, in my opinion, we get quite a turnout. Usually, the best firms in the state apply to do work with the State Public Works Board.

For contractors, we pre-qualify contractors. Anyone can submit an application. It is posted on our website and is ongoing. It is not something we do once a year. A contractor can apply at any time. They just have to pick up an application, fill it out, and submit it. We must respond to that application within 30 days.

Anything that we do can be appealed to the Board. We maintain a list of qualified contractors. When we open a project for bids or select for Design Build or CMAR, contractors must be on that list in order to bid or participate in any of those competitions.

Assemblywoman Pierce:

Do you always get multiple bids?

Gustavo Nuñez:

Yes. Especially right now. We are getting a lot of bids.

Assemblywoman Pierce:

Even when the economy is good, do you get multiple bids?

Gustavo Nuñez:

Yes. We had some issues when the economy was really hot in 2006. There was a problem getting contractors to go out to Caliente or Ely. That was extremely difficult. We had a project in Caliente where we received no bids. We ended up advertising that project as a CMAR. We solicited and found a contractor interested in going out there. He gathered together a group of subcontractors. It was difficult. Because there was so much work going on in town, it was difficult, during that period of time, to get workers to go out of town.

Assemblyman Claborn:

We know we have a threshold of new construction under Public Works as well as maintenance. My understanding is that the new construction would be at the prevailing rate. Maintenance after the building is completed would not be at the prevailing wage. I cannot see a state entity using its own employees to build a new building for new constructions. I just want to be enlightened about what Mr. Aizley is asking. Can they build their own building? Explain the threshold and the maintenance situation.

Gustavo Nuñez:

When I said "build their own buildings," I did not mean they would actually act as a contractor. When we delegate authority, it is to manage the design and construction of a project. The agencies still have to follow NRS Chapter 338 when they bid the project out to be built. They would be subject to the prevailing wage requirements outlined in NRS Chapter 338.

Buildings and Grounds is about the only entity I am aware of in the state right now that may go out and build. For instance, making a minor modification in a building such as adding a door on a wall, or moving a door over, or moving an electrical outlet would be considered maintenance. They would actually do that with their own forces. Almost everything is sent out to bid, whether we send it out to bid or if we delegate the authority. They would follow the same process that we do.

Assemblyman Claborn:

They would have to follow the state law with regard to prevailing rate and the law that separates new construction from maintenance, of course.

Gustavo Nuñez:

Again, we are very careful in delegating authority. All our contractor documents are developed by the Attorney General's Office. All our project managers are trained how to enforce the general conditions of the contract. We have to go to the Labor Commissioner to get a Public Works job number to control the prevailing wage. If there are any complaints or investigations in the process, we have people who are trained in that area. Unless you are set up to do contract compliance, it really does not work. The Board looks at all of that if an agency wants to do it on its own. The Board asks if they have the capabilities to do all the contract compliance required by law. We are already set up for that through our office before they would delegate authority.

Assemblyman Claborn:

I know this is going to be a hot topic, and I am looking forward to looking into it.

Assemblyman Stewart:

I have a specific question with a general application. For Nevada State College, I believe we appropriated money last session for the design of the new nursing building. The money to actually carry out this design might be a session or two away. Does it create additional problems when the design is made several years before the construction is scheduled to begin?

Gustavo Nuñez:

Yes. The design is complete and is being plan checked. Then it is ready to go to bid to construct. We split the scheduling of projects. The law requires that any project over \$10 million in construction be split over two bienniums—one for design and one for construction. In some cases, if the project is big enough, it takes another biennium to complete that project. It would be finished, furnished, and equipped in the third biennium. Before we recommend to the Board and the Board recommends to the Governor to start the design of a building in one biennium, we look at the affordability. Is the state going to be able to build that project the following biennium?

Based on the projections we had during the 2007 Session, we had the dollars at that time. Projections of the bonding capacity of the state were provided to us from the State Treasurer's Office, through the Budget Office. According to projections, we would have been able to afford that particular project this biennium. We would have been coming to the Legislature to ask for funding to do that. It was in the Board's recommendation to the Governor to build that particular project this biennium. The Board gave that recommendation to the Governor by October 1, which is required by law. Unfortunately, between August/September, when the Board met and deliberated, and today, things have changed quite a bit.

We were asked to cut a little over \$200 million off the program that went from the Board to the Governor. We had about \$404 million in bonding capacity. That was down from about \$620 million to \$625 million guesstimated at the time we were dealing with the Board. In the month of December it went down over \$200 million. We started with \$404 million. We went to the top of the list and said "Priority one fits. Priority two fits. Priority three fits. Four and five fit." At priority six we had \$30 million left, and this was a \$50 million project. We cannot do that one. We moved down the priority list, evaluated what was left, and came up with a new recommendation. We gave it to the Governor, and he accepted the recommendation. That new recommendation list was forwarded to the Legislature.

Assemblyman Goedhart:

I know you have a lot of different regulations as a public agency. Sometimes those add a little bit of cost because, as a public agency, you are bound by a lot of additional hoops and hurdles to go through. I am not being an advocate either way, but what do you think about looking at cost structures? What percentage of the overall project cost do you think a prevailing wage mandate would add to a job?

Gustavo Nuñez:

All our projects have prevailing wage. Are you asking, if it was not prevailing wage, what would that be? You have to look at the prime contractors, but mainly you have to look at the subcontractors in Nevada. Most of the projects are fairly large.

In southern Nevada, the contractors and subcontractors who bid on our projects, whether it is a low-bid or a CMAR, are fairly good-sized contractors. They are all union contractors. If they are all union contractors, you are probably not going to be dealing with prevailing wage, non-prevailing wage. I do not think it would make much difference. I know of only one major electrical contractor in southern Nevada, who is a subcontractor to a lot of our prime contractors, who is not union. They bid and win to the prime contractor. Their wage scales are way up there anyhow. Again, I am guessing. I am just telling you what I see.

Chair Kirkpatrick:

I am going to help you out there. Associated General Contractors of America (AGC), north and south, which has a lot of nonunion contractors, was in here last session trying to get prevailing wage because their employees like it. Everyone has the option to bid on a project, whether union or nonunion. It is simply a matter of who has the capability to bond out. I will be sure to ask my Senator on the other side.

Assemblyman Settlemeyer:

We had a person here yesterday from Storey County indicating that, because Storey County was able to have a private person building an overpass, they were able to do it for half the cost. Why?

Gustavo Nuñez:

I could not answer that. Without the specifics it would be very difficult.

Chair Kirkpatrick:

In my opinion, Public Works needs some new project managers. We have some issues, and I do not know how to fix them. This is my third session. I have compared all three audits. We seem to keep having problems with the same six things.

Last year, Senator Raggio insisted we make some changes. Still, six of the same problems we had last year came back. I am picking on every state agency because they need to do better in several areas. I think these audits are meant for a reason.

These state agencies come before Government Affairs and say, "If we just had this tool we could do better." We keep providing tools to state agencies, and they do not do better. They come back with the same problems.

I want to know what tools you need to get these same six recommendations that I have seen for the last six years on your audit to go away. I can tell you what I think they should be, but I want you to simply tell me what you think they should be.

Gustavo Nuñez:

Do you have a copy of our response to the audit?

Chair Kirkpatrick:

I want you, as the Director of that agency, to tell me what you think. I could go over there tomorrow and look around the room and say what does not work for me. I have always prided myself as a Las Vegas, a Nevadan. In California, a public works job takes them 14 years. It is no wonder they are in the situation they are in.

In Las Vegas we can build a multibillion-dollar hotel in two years. However, in Public Works we cannot do that. I do not understand what the problem is.

We give you the money. We give you the tools.

I live with a construction worker, and believe me, I get it. I know how it works. I know all the administrative costs. I will tell you what, though. He is not afraid to get rid of some project managers who are costing him time and money.

I do not know if we need to do the same thing or what we need to do. I am very frustrated. We keep making changes, and we keep coming back with the same six recommendations. The recommendations, in my opinion say, "No one is minding the store." We are not doing the administrative part; we are not getting our retention money. You know people are not going to come back and remind you that you forgot to collect your retention money from them. In the private sector, someone is standing there, and it is his job to get the retention money back. He says, "It has been a year. I want it back."

We seem to loan a lot of people our money. We are loaning it to them in the form of change orders. Why do we have so many change orders? The state should be held accountable. If the decision is made to change light bulbs in mid-process, that should just be too bad. Take it out of the agency's budget and let them come back and do it. On initial projects, I do not understand why

we have change orders that are so different. Our overrun costs are ridiculous. It cannot possibly be fair.

At some point, everyone wants to be the lowest bidder because they believe they can get the state on change orders. That is huge. They think, "Let me just go ahead and be the low bidder. I come from Utah; low bid it. Then, at the end of the day, I will just go ahead and put in enough change orders."

On change orders they make 100 percent of materials, 100 percent of time. Before this session is over, I am not going to see these same six things I have seen the last three sessions.

I understand you were not here my first session. I want to know what tools you need to have this come back with only two recommendations. I know that is a big task. You have 112 days to tell me how to make it work.

Gustavo Nuñez:

Very good. Is that in respect to going faster or in respect to change orders or both?

Chair Kirkpatrick:

The audit. I want the audit to come back. I compared it, and you can go back and compare it. Because I am a research idiot, I want to know if we are making or not making progress. We keep changing things. There are six things that are very consistent the last two times Public Works has had audits. I want to know what to do to get them off this list. I think we will save some money. I think we will have projects built faster. I think we will probably change a few of our project managers within the state agency, because I think they are not doing the best they can. After Mr. Claborn, we are going to move on to the green building presentation.

Assemblyman Claborn:

I can almost answer your question. The problem is in job completion and when contractors have to pay penalties. They are fined thousands and thousands of dollars for not completing a job on time. We take them to court, and then we let them skate. We do not collect the penalty money.

If they have cost overruns or if they do not finish the job by the completion date, we should make them pay those penalties. I have seen it for years and years and years. They get a half-million dollars in penalties, and they go to court and then skate for nothing. It is our own fault, our own entities. So that answers some of your questions. How does this get out of hand?

Chair Kirkpatrick:

Can we get to your green building, because I have some real concerns on that.

Gustavo Nuñez:

Yes. I just want to take one second to ask you to go through the volume of work we did last year and the percent we charged to do that volume of work. I would be happy to compare this against any other public agency, or private company, with respect to being able to do that volume of work and manage it for 1.9 percent. You can also see I have included several projects we completed this past biennium. So far this biennium, we completed about 1.4 million square feet of building. We have got quite a few buildings on design for a total of 2.1 million square feet of building. These are either just completed or under construction or design.

I will now move on to the green buildings portion of the presentation ([Exhibit E](#)). The introductory page is State Public Works Board, Green Building Design and Construction. The 2005 Legislative Special Session required in Assembly Bill No. 3 of the 22nd Special Session that all Public Works projects be Leadership in Energy and Environmental Design (LEED) certified. Two projects had to be LEED silver certified. During the 2007 Legislative Session these requirements were deleted. However, the State Public Works Board has continued to pursue energy-efficient and water conservation measures above code requirements in the design of state buildings.

Within the budget appropriated by the Legislature, the following presentation will provide you some background information. It will also provide the State Public Works Board's approach to green building design and construction, along with the benefits and the costs. The next page provides an outline of what we are going to cover: green building benefits, needs, and standards, LEED and the U.S. Green Building Council, green building design goals, Nevada differentiated from other states, and the Public Works Board's approach to green buildings.

The benefits that green buildings can attain are: reduced operating cost, increased worker productivity, and healthy, pleasant working environments. They also provide for a reduced strain on infrastructure, improved quality of urban life, and potential to boost the local economy. Green buildings can also reduce erosion and pollution and help reduce global warming.

The next page shows the impact of buildings in the United States. Green buildings try to address these items in order to minimize this impact. Today buildings consume 75 percent of all global electricity consumption, consume 48 percent of global energy use and account for 30 percent of global

greenhouse gas emissions, 30 percent of global raw materials use, 30 percent of global waste, and 12 percent of global potable water consumption.

Next you see the net electrical consumption per capita in billion kilowatt hours per million people for 15 countries. As you can see, the United States is one of the highest when compared with other countries. The next highest is Japan, and there is quite a bit of difference between those two.

Currently published green building standards are numerous and a number of changes for all the standards are on the way. LEED is the most recognized system and we have used it as a basis to develop our approach. Other standards include the Green Globes, Energy Star, and American Society of Heating, Refrigeration, and Air Conditioning Engineers (ASHRAE).

Chair Kirkpatrick:

Let me tell you a little about green building. Last session, I was the one who was charged with fixing the nightmare that we all encountered, Assembly Bill No. 621 of the 74th Session. Yes, we did take it away from Public Works. Now here today, we were right. We are in a financial crisis.

Let me tell you a little story about my frustration with Public Works using LEED as a basis. I am all for energy efficiency. In fact, last session, I had the energy-efficiency bill in the Commerce and Labor Committee that local and state governments opposed. I spent a lot of time on LEED. For instance, you get a point for having a bicycle rack. On Las Vegas Boulevard, I know, in August there are going to be a thousand people riding bicycles down Las Vegas Boulevard. If you tell me that is energy efficient, I will disagree with you.

When I left this building, I was very frustrated. I learned a lot about LEED. Believe me, I am a Clark County School District graduate with no fancy degrees, but I know more about LEED than I ever want to know.

I was working one day and walked through a hotel that had a LEED seminar. I thought I would just run up and grab their information papers. To my surprise, I walked into a room with all the top hotels' major publicity guides, local officials, and state officials. They were saying, "Okay, I know you from D.C., but we need you to change this requirement in LEED because it really does not pencil out for us here." That is how the regulations were changed. After I sat down, they proceeded to say, "You know that crazy Legislature. They would not let us change our standards all the time. They are saying it has to be in place for two years. Whoever that lady was, she does not know anything." I am thinking "right on," so I sat there the whole time.

At the end, they asked me to introduce myself, and I said, "I am that crazy lady who would not let you have anything, change your standards. Now I see why, when I see how your standards are picked."

So I am going to work very hard to get LEED to not even be a platform. I think it is a cottage industry created by those who help themselves. If you want to come back to me with a different kind of thing, I am more than willing to hear it, but I do not want to even hear this discussion at this point. I think it is so convoluted.

Gustavo Nuñez:

My presentation will make the exact point you are making.

Chair Kirkpatrick:

Please do not use those words LEED or U.S. Green Building Council (USGBC) because I have a problem with those. We are not going to use those words this session.

Gustavo Nuñez:

I will skip the next part. This will give you a background on how LEED works.

Chair Kirkpatrick:

I think the Committee knows how it works and, if not, I will tell them how it works.

Gustavo Nuñez:

In the LEED scoring systems, not all points are created equal. Geographic considerations are not customized for LEED. It is standardized for the entire nation. When you consider the point system, it is apparent more points do not equal a better building. Not all points are created equal.

As you indicated, if one was going after some kind of a tax rebate, or some kind of incentive, one could get a point for putting a bicycle rack or a shower in the building. That could be done for perhaps \$20,000. To get a point in energy it may cost half a million or a million dollars. How do you think they will get that point? That is an example of how not all points are created equal.

We do not want contractors to go after points blindly. We need to fully evaluate the context and the value of each point. This is the direction we are headed in. We then need to evaluate the points to pursue, based on what is appropriate for the building and the region.

The next page outlines the costs associated with following a standard such as LEED, and then attempting to get the project LEED-certified. The costs associated are not only in the design process but in the construction process.

There are green building influences. One of the things that influences green building is code guidelines. Obviously, project requirements influence the design and construction of a building. Codes provide a minimum compliance standard for all buildings. We are required to follow codes irrespective of building type or owner type. Guidelines, such as State Public Works Board adoptive standards, provide methods for being better than code. These are meant for the entire building inventory.

On our website are adopted standards that point out that we require designers to design for 20 percent above code in energy and 20 percent above code in water. This may exclude certain buildings and occupancy. Obviously, if you are building a storage building for Corrections at a prison, where they need minimal lighting and one sink, it would be very difficult to save 20 percent in energy and water in a building like that.

Other than those types of occupancy and small buildings, all our other buildings must meet that requirement. We look at opportunities and challenges for each project individually and focus on what is practical. The State Public Works Board approach is to access and manage all of these components to achieve the best practices. That is our goal.

Energy efficiency is important in building. In green buildings you can see what is embodied in the construction of the building and the energy it would take to build the building. In my presentation the operating energy expense for the next four years is indicated in orange. Obviously, that orange area is quite a bit different than the construction. That is where you see the long-term savings in the operating energy.

We live in an arid region. Water is very important to us. That is why we try to achieve and target water conservation in Nevada.

Our approach is to pursue a subset of green building standards based on specifically targeted criteria, a process of self-certification led by accredited professionals. We would not have to pay for the extra cost it would take to go through the LEED process. We want to pursue equivalents—not use LEED certification—but pursue equivalents of a LEED-certified or silver-certified building in areas that make sense for this state.

We have a template we give to our designers to guide them through their projects. We do not turn them loose and let them do whatever they want. They must achieve certain goals, and we tell them where to look for those goals.

Next, you can see how the State Public Works Board compares to LEED. You can see what we pursue compared to LEED or the Green Building Council. Our primary goals deal with water efficiency and energy. We would not just turn someone loose and say we want a silver LEED-certified project. We would be targeting 3 out of 5 points in water efficiency, and 10 points out of 17 points in energy. According to LEED, a building could get silver-certified and obtain only two points in energy and one point in water efficiency.

It is extremely important not to just say we can do LEED. That is not good enough in our opinion. You need to target what is important to this state and maintain control of what is important. That is why we would not, and have never recommended, that we simply say that LEED is the answer to all our problems when we are doing building standards.

In summary, there are several goals to our program. We must respond to targeted criteria on specifics that relate to improvements in energy efficiency, water conservation, and other green building standards. We must consider fiscal standards and achieve fiscal prudence. The cost of my program does not preclude a using agency from pursuing a formal LEED certification. If someone wants to do that, and he can pay for it, he can pursue it. We would not budget for it.

It is anticipated, over the long term, designers and contractors would become more aware and more educated in dealing with these matters. This would make future endeavors in designing green buildings easier and less costly. This approach will make market transformation and improvements to green building design standards and requirements. These should stay under the control of the State of Nevada, allowing for optimization of the targeted, specific goals and avoiding unwanted cost impacts.

Chair Kirkpatrick:

This is a passionate discussion for me. I am a huge supporter of energy efficiency. In the old days we knew where the sun came up, and that is where we put our kitchen windows to get the morning sun. Where the sun went down was where we put our front porch. For the life of me, I do not know why we have to pay millions of dollars to do that same thing. What is the energy efficiency of the building you hope to produce at your cost-saving price?

Gustavo Nuñez:

Our goal is to achieve a minimum of our adopted standards, and that is 20 percent above code.

Chair Kirkpatrick:

I am really trying to restrain myself on this, and I do not want to belabor the point. You want 20 percent above code. Let me tell you, that is already happening, especially in homes across the state. In homes built today, 71 percent achieve 20 percent above code because they comply with Energy Star. Rather than set a new standard, could we just go to our purchasing department and buy the right light bulbs? Could we make sure we buy the right doors and we put in the right windows? Why do we have to have a standard of 20 percent above code? I am telling you, no one knows what that means. I have asked. I would like a full breakdown on this so I can read it.

I could have an outside conversation because I am very passionate about this. I support energy efficiency, but 20 percent is nothing. That is nothing more than what is built today. The Public Utilities Commission (PUC) in their building went 20 percent above code. They did that all by themselves without any fancy checklist, without any fancy name. They did it by just making some changes.

I just want you, as the Director of the Public Works, to make sure we better be at 50 percent energy efficiency in my opinion. We are already at 20 percent just by making simple changes. My Girl Scouts could do over 20 percent if I sent them through my neighborhood. I am just saying that means nothing to me, 20 percent. Projects following LEED are sustainable at 18 percent and we are going to go 2 percent above that? That is ridiculous. We need to be at 50 percent, and that can be done with a whole bunch of little changes, with changes in purchasing.

The College of Southern Nevada (CSN) saved \$24,000 two years ago just by changing their light bulbs. I am thinking we can do better. I am going to let you off the hook, and I am going to refrain from saying what I really think. Does anyone else have any questions, and if not, I am going to let Mr. Nuñez go.

Gustavo Nuñez:

I would like to make one last remark. Again, as I said, the 20 percent is a minimum. When we get into specifics, it is very important when targeting a particular design, or any component in a building, to be able to perform a life cycle analysis to see what the payback is. Nowadays, technology changes very quickly. The payback analyzed by a design team may be calculated for over

30 years. Ten years from now, that is going to be old technology, and we will still be paying for it. We must be very careful in choosing what we implement to get higher efficiency.

As we get into renewables, we must be very careful that the life cycle or payback of whatever strategy that we use, in my opinion, be calculated at a maximum of seven years. That could be stretched to ten years. If a payback is longer than ten years, as I said, we may be paying for old technology. We are going to be stuck with something that we spent money on that does not make sense five to ten years from now.

As we move forward in these areas, we need to be very careful how we do it. Later, we do not want to look back and say we spent all that money and could have done so much better.

Included in my presentation is a list of the fiscal stimulus projects we provided to both the Governor's Office and to your staff.

Chair Kirkpatrick:

Thank you and I want to see this paper in big form, please. We are going to invite Mr. Skaggs to speak.

**Michael E. Skaggs, Executive Director, Division of Economic Development,
Commission on Economic Development:**

There are two documents in front of you. One is a PowerPoint presentation entitled "Nevada Commission on Economic Development" ([Exhibit F](#)). The other is a spiral-bound presentation titled "A Strategy of Economic Diversification, January 2009" ([Exhibit G](#)). It is an outline of the plan for the Commission as we move forward and is for your reference. I am going to explain the origination of this agency and our programs by following the first PowerPoint presentation. We then have one additional presentation that references El Dorado Energy.

The first presentation is on the Commission on Economic Development. You can see our structure and a listing of commissioners. Luis Valera, Miranda Du, and I were appointed in May last year. We are somewhat new to the organization but have been engaged in many conversations regarding making this a more contemporary organization. I have been in economic development for 35 years and worked in several states. This is something that is very important to me.

In any state, it is important to have a viable job market and viable tax base. We are organized with two offices, one in Carson City and the other in Las

Vegas. We have the administrative headquarters here in Carson City. My deputy is in Las Vegas, so we have certain administrative responsibilities in Las Vegas. He is also an experienced business development person, so we have that capability there as well.

Our Las Vegas office is heavily centered around the Division of Motion Pictures, also called the Nevada Film Office. We have seven full-time equivalent (FTE) people in the Las Vegas office who are with Film because of the amount of work that goes into that area. Because of the size of the business community in the southern part of the state, we also have a procurement office there.

We have a network that is a little unusual because we are a development agency. We are a revenue-producing agency. We are organized for job creation and to create a tax base for the state. To accomplish that mission we have to have representation in the counties around the state. Page 4 has a list of those affiliated economic development authorities. We work with them in a couple of ways. When funding is available we help them with their operating funds. It is a matching fund situation. They have to subscribe a certain amount locally, and then we match that. Whenever we deal with incentives and other issues, those personnel and those offices have been trained to work with clients. They accompany them and bring them before the Commission. It is not normally our employee, but there is a professional employee of the county at each one of these sites.

My job is to develop and execute the most efficient and productive strategies to create high-wage jobs in Nevada. It is all about jobs for Fiscal Year 2010 and 2011. That is how I see my job.

I come from a strategic planning background. It is very important to me to have strategy in place that makes sense. We are big on performance measures and strategy. The plan I gave you in the ring binder is going to change. It is going to change by tomorrow. It is a fluid document and is constantly rewritten. As you see in the Action Plans, there are a tremendous number of potential actions. If we see something is not working, we pull it and move those resources into something that is working. Do not be surprised if you see this document being modified.

We keep this document on our website. Remember that it is a fluid document. This hard copy has "draft" written all over it for that purpose. We are using this opportunity, today, to air this plan and to get your feedback.

You can see the state plan required under NRS 231.067. Back in the early 1980s, Governor Bryan noticed the situation in the state, a tremendous

economic downturn, though not as serious as this one. His response was to create two agencies that would be in the economic development and the tourism development business—the Commission on Economic Development and the Commission on Tourism.

We augment or change the base plan every two years. We go through a strategic planning session and modify the plan. I will outline some of the characteristics of the original plan and those of the plan we use today. I would like to review some terminology. You are going to see the term "diversification" a lot when you read our materials. That relates to the gaming dependency noticed in the early 1980s.

The economy went into a slump because it did not have diverse revenue sources. The Commission was started to diversify the economy and create a broader segment of revenue streams for the state. Ours is principally the business development side.

You can see the original 1985 strategies for diversification. This was done by an excellent consulting group. They did outreach all over the state and created a very comprehensive plan. I have been in development for 30 years. When I saw the plan, I was heartened because it is an excellently based document that has served us well since then.

Next are outlined the things that have changed. Originally, they talked about how to align elementary and secondary education into the workforce and skills area. We do not really have that component in this plan. We talk about higher education much more.

Since there is another agency, we do not deal with tourism and gaming to a great degree. Regarding mining and mineral extraction, we are in the job creation business, and right now there is not a need in that area. That business is doing rather well.

I joined the Commission in May. In June, we started this strategic planning process by involving our commissioners in the vision forward. Then we involved our allied organizations—counties, cities, these economic authorities—in joint planning so we could get something that was going to deal with the situations they are in. Every month since June this economy has become worse. We have been adjusting and adding measures to this, and you will see evidence of that.

The information about our vision is new. It has been created by the current commissioners and our team. I think this is the indicative comment about

where this agency is headed and what we stand for. Founded on the principles of innovation, sustainability, and inclusiveness, Nevada's economic platform will be driven by renewable energy, future-based technology, and human ingenuity to promote business opportunity in every community. Through collaboration and strategic alliances Nevada will become the national model for economic and community prosperity by 2015.

It is about a brain-powered economy. We sincerely believe that. I have been working for the Economic Development Administration, as a partner, for the last ten years. It is about how you actually apply technology to create jobs, how you use energy and innovation as the key elements in creating jobs locally. When you are in the job creation or economic development side of business, you are looking for your uniqueness. You want to take what is unique about your jurisdiction and build an economy that is reflective of that. That is your principal asset, your uniqueness.

What we have to have as our uniqueness are the ideas between the ears of our citizens. That is where our future jobs are going to come from.

There are four basic economic development strategy fundamentals that we always deal with no matter where we are. The first strategy is the retention and expansion of existing businesses. It is probably the most important. If we are not retaining and growing the businesses already here, then there is something wrong with the business and economic climate here. How could we ever talk to a new company about coming here if that is dysfunctional? You will notice, as I get into the detail of our plan, we spend a lot of resources on existing businesses in Nevada.

The second fundamental is the startup of basic industry. We use the term "basic industry" to describe a company that is exporting 50 percent of its goods or services out of the state. We are looking for somebody to build something here and then send it to Iowa or Canada or China. The money comes back to us when that product is sold, so it is new revenue for the state. That is why we are so interested in those businesses that gain at least 50 percent of their revenue through export. When we say export we are talking past the state line. It could be international or to other states. That is a fundamental key when we keep describing who our customers are and why we focus on those customers. It is all this balance-of-trade arrangement. We are trying to import new dollars to the state.

"Attraction" is the third fundamental and the one you hear about the most. That is where all the competition starts with all the other states. We are engaged in two places there; the normal business attraction you would expect,

and we are doing that, and film is also that same variety. Some people look at our organization and ask, why is film a part of you? A film is a business. When you produce a film you get a script. You get out your Rolodex and start calling your collaborators and your financiers. A film is an independent business. We recruit film just like we do a start-up. It is the same type of work.

The fourth fundamental is community development—making the community competitive in a global economy. This is the part about product improvement. We have to be able to compete with other communities, states, and countries. We act in guidance to the communities and the counties. However, through the Community Development Block Grant (CDBG) program, we are able to get them dollars to improve the communities. I will talk about how we are shifting those dollars mentally, and in terms of the kinds of strategies we are advocating, even more so than we were last year.

What has been working? I am going to speed through this information.

Chair Kirkpatrick:

Please take your time. This is good. We need this, and if we have to, we will have you back on Monday morning.

Michael Skaggs:

I think this meeting is significantly important. I am glad to see this Committee is interested in the job creation efforts going on within the state because this is critical. I welcome this Committee as a partner in this endeavor.

Chair Kirkpatrick:

Normally all of economic development goes before the Commerce Committee. However, this session it is going to be a new statute with the Government Affairs Committee. We are going to play an integral part in economic development. I fought for that statute to be in our Committee. I encourage you to be engaged and please take as much time as you need. Will you be able to come back on Monday?

Michael Skaggs:

Yes. I think it has been important to understand the programs we have been running that have worked. Again, going back to strategic planning, if the programs are producing, we keep them. If they are not, we kill them. It is a resource allocation. We are a small agency. Our budget going into 2011 is about \$4.5 million. It is small. We are more entrepreneurial probably than you would expect. We do a lot of partnering. We run a lot of federal dollars through the agency to help us have program dollars.

Business recruitment, which we call business development, has been a strategy that has paid off well for us. We are all very familiar with the success enjoyed, particularly as it relates to California. In the last ten years, that is about 20,000 jobs. The annual payroll is about \$728 million. That is just from business that moved here. It is a critical strategy.

We have a favorable tax climate. We have a bureaucracy that is small. We do not have the California regulatory agenda, which is what drives most businesses out of California. People think that it is taxes, but it is not really taxes. I used to be a consultant to Contra Costa County, and it is the regulatory environment. It is horrible. If you want to open a business there, God help you, because you are going to spend the rest of your life trying.

People hear about the Film Office. It is rather high profile, but its impact is incredible. Over the last nine years it has brought in over \$200 million worth of film spending. You mainly see it on Las Vegas Boulevard. It is always when you are late going somewhere, and you have lane changes set up, lights set up, and there is a body lying in the street that scares you to death. Las Vegas is where most of our film activity takes place for many reasons. We are trying to grow that business more into some other scenic, rural areas just to offer a different set of locations to producers. Proximity is a big advantage for us. We are a one-hour flight from most of the movie production centers in California. That is a big advantage.

You may hear the term POP; that is the Procurement Outreach Program. This program is an important service to the existing business community. We train businesspeople and help them understand how to sell to government. It can be the federal government; it can be your local school district. It is a very lucrative market. Nearly every business person, at some point in their career, has been told it is too hard. We hand-hold them all the way through the process.

It is one reason I am frustrated about the amount of dollars leaving the state. We need to get more companies showing in procurement as active bidders to keep those dollars here. Even our own film production handbook was produced in Colorado! Good grief! We have three people who worked on it. We did press checks. All three of those people are gone today. I feel very vulnerable right now because I have that project sitting in Colorado. The bid was \$7,000 less. That was the literal difference in the bid. I really want to understand why.

Chair Kirkpatrick:

Apparently you were in here when I was very passionate about how purchasing really works for state agencies. I believe that the \$7,000 that we sacrificed on

that bid cost us much more. How much was lost in sales tax dollars, in modified business tax? It seems common sense to me that we could be within a parameter. I am not sure I am on the right page.

Michael Skaggs:

Madame Chair, you are on the right page. It is the economic impact of it being done here. If you spend \$40,000 at a local printer, that creates a ripple effect in its suppliers. The project is much bigger than it appears. The best service we can provide is to help more people get into the state bidding system. We have such a good procurement program. There are now more capabilities here in Nevada.

I understand that ten years ago the state was much smaller and maybe did not have all those specialties and capabilities. We do today. We have grown into a much more mature state. From our side, that is how we can probably help the most. I think your leadership is expressing a concern regarding the economic impact and the tax savings. We really need to come up with a better picture.

I do not want to see anything in our film handbook saying that it was printed in Colorado!

Chair Kirkpatrick:

Nothing makes me madder than to get a parking ticket in the City of Las Vegas and mail it to Arizona. It makes me almost not want to pay it.

Assemblyman Christensen:

It is great to have you here. Your function in government is one of my favorites, especially here in Nevada. Many in Washington, D.C., have told me Nevada is one of the least economically diverse states. They believe we have two or three major industries comprising the economic engine. You can look at other states that have several. I have heard even Alaska is more economically diverse. I understand what got us here. I have always been in Nevada. Tourism, gaming, and mine construction have really gotten us to where we are.

Over the next 20 years it will be different. This is the topic that excites me more than any other. It is in the tough times we decide what we are going to be able to do, if we are going to shine or not. Many goods go to Colorado or Arizona. I truly believe that you guys are doing the Lord's work. I hear that your budget is \$4.5 million annually. That is impressive because I know you have to do a lot with very few dollars.

I am really looking forward to having the chance to talk with you off-line, but I do have a question I thought the Committee would benefit from understanding.

This is such a competitive environment. Which states are our biggest competitors? For instance, if the State of Nevada is trying to get Merck to build a pharmaceutical plant somewhere here in the state, or trying to attract someone in the aerospace or wireless technology industry, or a renewable energy manufacturing plant, what states would be our biggest competition? If they do not come to Nevada, where do they go?

Michael Skaggs:

Most of our competition is in the West and our neighboring states. The only one that is not a contiguous state is New Mexico, which is where I am from. They have all had economic challenges in the past. The one that frustrates me the most is New Mexico because I lost two projects to them in December. Both projects were renewables manufacturing.

Like Texas, New Mexico has a "super fund." There is a lot of gas revenue in New Mexico. They tax it at the well-head, and it is a severance tax. That severance tax goes to public education. It is a massive fund of over \$3 trillion. They made legislation when Governor Richardson was elected, and I have to admit I was one of his advisors. We asked the legislature to let us have some of the interest. We took some of the interest off that fund and invested it in economic development, particularly infrastructure projects.

My ability to train our citizens for these jobs is a grant of \$1,000 per job. New Mexico can go to \$6,000. If this is one those desirables, like you mentioned, they will go there. They also will work on the infrastructure side and supplement all jurisdictions, whether it is a city or a county. They are the ones that keep me up at night.

Utah is good. Utah is aggressive. Arizona is getting more aggressive. They went through some years when they were not. They lost one of these renewable projects. I know they are presenting to their legislators right now. They are looking for some incentive help. It is a fact that all the Western economies are upside down. Every state in the nation is upside down right now. All of us are trying to find job creation. Nearly every one of us is looking at the renewables because it is where the opportunity is.

When we talk about economic clustering, we are talking about looking at the marketplace and finding the biggest problem. Right now, it is energy and alternative energy sources. That is because of our vulnerability to offshore energy. If that is the problem, the solutions to that are businesses.

Everyone who creates a solution to that, and gets funded, then hires people. That is the environment in the renewables. I think we capitalize on this by taking the opportunity to teach ourselves how to grow more business on the technology side using the renewables and the opportunity. But tomorrow we can be using biotech. Then the next Thursday we can be using information technology. I think the renewables opportunity is going to give us a chance to succeed.

Assemblywoman Pierce:

This is a subject I feel strongly about. I have been here for 20 years, and I have heard 20 years of happy talk about economic diversity. Is there anywhere in here where you have quantified the success at diversifying this economy since 1985?

Michael Skaggs:

The numbers I am using are the most current version of the output of each of these strategies. We were talking about procurement when this discussion started. I am trying to give you some idea why those strategies have worked and why they are still in the plan. In each of those, we represent the jobs we contract. Those are tied back to the success we have in those areas. Also, we track increases in sales, particularly in the area of exporting. We quantify the amount. In the plan itself, we drill down a little more to what attainment levels we are expecting. One is global trade exports. We want to kick that up \$320 million in the next two years.

Assemblywoman Pierce:

I am asking about the actual diversification. If in 1985 gaming and mining were "X" number, or some percentage of jobs in our state, how has that changed since then? What is the comparison? Do you have that here?

Michael Skaggs:

I do.

Chair Kirkpatrick:

Ms. Pierce, he is new to the department, and he has been stellar so far. I am sure he will get that information. He has been very good about getting information quickly. Believe me, I have called him at 6 a.m. and 8 p.m., and he has always called me back.

Assemblywoman Pierce:

I would like to know about that. That was the vision in 1985, and I would like to know if we have had any actual success. A raw number of jobs does not address diversification.

Michael Skaggs:

Exactly. The answer is in front of me.

Ten years ago our amount of employment outside of gaming was only 78 percent; therefore we had 22 percent of the job base in gaming. We have gotten that to 84 percent, so it is down to 16 percent in gaming. There is an interesting thing about this. The first time I saw this number, it was not as impressive to me as I had hoped it would have been. The staff reminded me how quickly we grew during those ten years. Considering how many jobs went into the system, for us to still be able to get the total percentage up that much actually shows we are on the right track.

Assemblywoman Pierce:

I am glad we have had some progress. I appreciate that. I have some frustration with economic development because, if we do not do something about our educational system, it just does not matter what else we do. The truth is that if you read the business press more than once a month, you know businesses with good paying jobs go to places with good educational systems. That is the one thing that we have not done. I frankly think the only economic development plan we should be focused on is improving the education system.

Michael Skaggs:

That was the reason I wanted you to see that comment about human ingenuity. It is what drives the economy. It is going to be more so than it has ever been. In the future, in the national economy, as well as this economy, we will still enjoy some growth in manufacturing. We are in a growing market to be certain. With more and more manufacturing leaving and going offshore because of prices, what are we left with? We have to be the place that comes up with the solutions and ideas. That requires brainpower. That is the future economy to me. We want to be the headwaters of where the ideas flow into the marketplace into the future. To me, those are going to be the economies that survive. So I agree with you.

Assemblyman Munford:

I want to commend you for making economic development a part of the Government Affairs Committee. It has been a passion with me. I ran for office on that topic. I represent Assembly District 6 in Clark County, and I have been in your office several times. I have been trying to speak with you to find some

ways we can bring economic development to my district. Economic development is the only problem solver for job creation and improving conditions in a community.

My district has been shortchanged. We have been denied and ignored. We have been trying to battle this, struggle with this, for a long time. All elections we have had there over the years have made economic development part of their commitment. I am continuing to carry on that tradition. What can we do? In terms of economic development and job creation, what suggestions can you give to me to improve the conditions in my district? I know the city has that direct responsibility. Do you ever partner with the city to try to encourage things to help areas that have that need?

Michael Skaggs:

Absolutely, sir. This is how we work with those partners. For example, TELUS came into our system in July. It has taken seven months to get this project put together. Their needs are based on the characteristics they have and the number of employees they were projecting. They were talking about a 1,000 people. We put them in touch with the Nevada Development Authority (NDA) which is our organization in southern Nevada. The Nevada Development Authority started working with them and brought the City of Las Vegas into the equation, because their big need became about finding suitable space. Exactly where were they going to site? What drove that location decision turned out to be bilingual skills and the need for adequate space because they actually found a call center that had existed before.

I think in your case, and because you are talking about your district, let us sit down with Las Vegas and look at their strategy and their exact plan for that area. I know one thing affecting your district right now because I hear the conversations about it. Are you familiar with the EB-5 Visa program relating to immigrant investors?

Assemblyman Munford:

Oh, yes, I mentioned that to Jerry Sandstrom in the Las Vegas office.

Michael Skaggs:

That is one of the things you will see rather quickly. It is one of the organizations that is working to site, based on that program. Because of the requirements in the programs, there is serious money involved. I think it could create the physical change by a new development, that employment center. There are employment conditions on the development on a regional center. I think in the next biennium that is where you are going to see your major

activity. The changes in the transportation network should help that district also.

Assemblyman Munford:

Can I sit down and meet with you?

Michael Skaggs:

It would be my pleasure. I can meet with you and work on the strategy.

Assemblyman Stewart:

Mr. Skaggs, you make a very impressive presentation. When you impress our Chair, we are all impressed. She may have only a high school education, but she has a PhD in common sense. I would like to go back in your presentation for just a second and agree with my colleague, Ms. Pierce.

In the presentation, there is no check mark by elementary and secondary education. I do not know if you are aware, but in Clark County we have a number of career and technical high schools. Three of them have been built, and three more are under construction. I think it would be very productive for you to get with the Clark County School District to coordinate between what you see in economic development and what they are considering offering in their curriculum. I think that is a great opportunity for planning a workforce to meet economic development requirements.

Secondly, there has been a proposal to consolidate Tourism with Economic Development. Could you comment on those two things?

Michael Skaggs:

Certainly. I am glad that you bring up the career and technical training. It is important when we deal with many inbound companies that we have the best picture of the skilled and manned workforce in the future. In targeted industries, like the renewables, we are taking a look at the emphasis we need to communicate to the training infrastructure. It is the availability of that talent that allows us to win deals. It is in our plan to focus on the career portion of the high schools. It will be brought up the next time you see me. I like that. That is a really good suggestion and an oversight on my part.

On the merger of Tourism and Economic Development, we have been working on this for the last three months or so. The only aspect that bothers me a little bit is the physical location. We could be asked to move out of the building we are in now and cohabitate in the Tourism building. It is the interruption of business that scares me the most.

We are running at full potential right now. I assure you we are all hands on deck 24/7. When the economy gets upside down, and the price of commercial real estate goes down, and people are ready to go to work, then the inverse happens. We are the busiest we have ever been. We are more attractive as a business site. My major concern right now is that I just do not want to be out of service. The savings we have looked at is maybe \$250,000 dollars a year, just so you are aware of the numbers side.

Assemblywoman Spiegel:

Mr. Skaggs, I would like to commend you. This has been an excellent presentation. Similar to what Mr. Christensen said, I would like to share with you that I also am a small-business owner and I also have a background in strategic planning. Therefore, I appreciate your vision.

I accessed your website and was looking at the "Made in Nevada" page. I also reviewed the procurement outreach section. As a business owner, I was not aware of either of these two programs. I am an active member of the Henderson Chamber of Commerce, and if there was additional awareness in the business community about opportunities, that would be very helpful.

I also conduct about 90 percent of my business out of state, so I am heartened about what you say regarding exports. I have one comment about the vision. I think you are on the right track for a long-term vision, but I question our current reality. In the makeup of our workforce today, where we have so many skilled and semi-skilled laborers, people may not be able to transition into the jobs of the future that you are describing. I do not see a component that has looked at increasing the number of jobs that would be suitable for the people in the State of Nevada today.

Michael Skaggs:

This is our perspective on the latter part. We have not had a manufacturing economy. We really have not had a technology economy. I think that is where the mismatch is. We have been fueled by construction. We have enjoyed a boom that ran for ten years nonstop. We did not really develop the skill-sets in those areas that are that deep. That is a challenge because we have to develop those skill-sets.

Most of us agree that the use of training dollars is probably one of the smartest things that we can do. It changes a person's resume. It changes his life. If someone who does not have 2009 skills is able to get trained by a company through our system, he then has that skill for the rest of his life. It is the best investment we can make in him.

I believe that is why you are not seeing that direct relationship to the existing skill base. I have been pleased by some of the larger projects constructed over the last few months since I have been here. I found that the skill-set, in particular construction trades, is off the charts. They are finding everything they need here, even for some of the new renewable technologies, which is a quite new field.

I will shift back to procurement. One of our biggest frustrations is getting the word out about these programs.

We started a few things right after I got here. We travel now. The disadvantage of being in Carson City is that we are basically almost in California. I have Ely and Elko and places to worry about that are a long way from here. I take the division directors who run programs. We get in the car and we go live in Ely for three days. We take them to every program we have.

We need the business-to-business connection. Businesses need to understand that procurement really can help them. It is not that scary. They need to realize we can help them sell their goods offshore. They do not have to do it by themselves. We will actually help them.

In Eureka, we have the famous alfalfa story. We were able to help a lady there export her Timothy hay. It is now processed as pellets and exported to China. It is a million-dollar business. The first thing we do on the road is share more stories like that. We wait for communities to ask us. That is policy with me. I do not want to go into some community and say, "We are here to save your life." That is not very appreciated. However, when they call and ask for help, that is when we roll.

Perhaps broadcasting this presentation to your Committee will help. The other thing is that the public broadcasting station in Las Vegas looks as if it is going to help me. We have been meeting with them because of their new studios and capabilities. They have a very serious commitment to economic development. We are going to take our procurement, "Made in Nevada," and international programs and publicize them on the air. People can review the introductory through one of the translator stations. When they get into the details, then they can call my resource.

Assemblyman Aizley:

Earlier, you stated that one of the challenges would be regulatory problems rather than taxes. You mentioned that the film industry has been doing quite well. I was wondering if there were any regulatory situations hampering the development of the film industry.

Michael Skaggs:

I am not aware of anything on the regulatory side. I will double-check with my director to see if there are any issues. When I was referring to regulatory issues, I was talking about California. That is their big issue. They cannot solve it. That is why California companies are going to keep coming to Nevada.

Our environment and our bureaucracy are so small that we seem to be very pro-business and helpful. When I have a client in my office, it takes me three minutes to get the Governor's or Lieutenant Governor's Office. That is access. It is impressive because it is a small state and we can do those kinds of things. We have not yet grown a regulatory environment that is an issue. I will ask your question specifically about film to see if there are regulation issues.

Assemblyman Aizley:

There are tax abatements of interest to the film industry. I am not saying in this climate we should be doing those things, but I would like to hear about them.

Michael Skaggs:

I will be honest with you in saying that we were looking at bringing film incentives before you six months ago. I pulled them back. Once I started seeing the downturn in the economy, I decided it is just not the time for it.

Assemblywoman Mastroluca:

This has been fascinating. Thank you so much for all this wonderful information. I have two comments. One is regarding the strategy for economic diversification. I have to say I was shocked at the statement that Nevada has no bid preference for state businesses, and that out of 168 contracts for services, only 82 were awarded to Nevada companies. I am sure that the Chair is on top of that, and I would definitely like to be a part of that conversation. My other comment is simply regarding an oversight on your part. I thought I would point out I did not get a copy of the *Made in Nevada Holiday Gift Catalog* and would love to get one.

Michael Skaggs:

I happen to have one in my truck and you will have it today.

I appreciate your first comment because I think we can help. We deal with businesses regarding government procurement. Since we have existing relationships, we can tell the businesses there are sales to be had in government. We can burn a little bit more of our human energy and time on helping them sit down and go through the process. I think businesspeople put it off. We have to be a little bit more helpful in saying we will help you get on

line. We have to populate the system with more work ethics and save that money. It frustrates me, as you may have noticed.

Chair Kirkpatrick:

So everyone here today knows, quite honestly, I have not let him get through his presentation. He is only on page 10 of 25, so we have time.

Assemblyman Goedhart:

In my district in Amargosa Valley, we looked at your rural economic development. Some points in the challenges should be about access to land and water, and the ability to use that access. There are water rights allocated in good standing in Amargosa Valley. When there has to be a change made in the point of diversion or place of use, quite often the federal agency will launch a protest.

For example, a gentleman I brought out from Utah wanted to start up a Horizon Academy. The establishment was a rundown hotel, and he wanted to put about \$2 million to \$3 million into it. It would create 60 jobs and several million dollars in revenue coming to Nevada from out of state. Each kid brings in about \$50,000 a year. He started the project, and about halfway through, Bob Coache from the Division of Water Resources Las Vegas office came out to the site. He told the construction workers to go home. He said the project was not going to happen. He said it was going to be closed down because there would be a protest filed in the future.

The manager/owner of the project called me, and I told him it would close down over my dead body and to keep on building. Eventually, the project was built. He employs 60 people now and has 15 acre-feet of water. They said they would transfer the water only if he agreed to give the state a third of the water he had purchased. He did that. I told him to fight it, but he said he did not have the time to fight it.

The gold mining company Reward Gold, C.R. Briggs out of Trona, California, is actively working a gold mine now. It is seven and a half years of work just north of US Ecology on the old Cortez Carrera site. They are ready to go with mining \$140 million in gold. They wanted to lease some water rights from the old Barrick Mine. Those water rights were good for mining and milling purposes within a 13-square-mile area. They wanted to use the water for a leach pad 1.5 miles outside the 13-mile zone. The Department of Water Resources would not allow it. I had to work with the Department of Water Resources and the Division of Mining. I enlisted the help of the Division of Mining, our Senator Mark Amodei, and we finally got that water right approved.

That is what I have seen in Amargosa Valley. If you do not allow people to use the land and water rights they own, we are literally sending hundreds of millions of dollars out of state.

I speak from experience. I came to Nevada 13 years ago with a dream and a map on a napkin. My company now employs 150 people. We ship out \$40 million to \$50 million of milk every year into California. We export dollars in beef. Right now, we have worked with Green Energy, ASHRAE, and all the rest. We actually got folks from Europe interested. We showed them land, water access, and how to buy existing water rights from farmers. Then we hear from the Department of Water Resources they may not allow the transfer from agricultural use to green energy use. So here is a company I have been working with for a year and a half, and now they ask, "What is going on over there?"

When I look at businesses relocating to Nevada, it is not so much about economic incentives and rewards, or even the tax policy. It is about the ability to use their land and their water. It is about a clear, transparent, progressive governing entity. It is about regulating entities that are ready, prepared, and willing to do business. That is what I see as the real challenge.

We had a gentleman from Texas who wanted to put in a \$30 million greenhouse, hydroponics, and a fish farm. He wanted to move 100 acre-feet of water three miles west down the road. The Department of Water Resources said he could not. This happened last summer. I attempted to find another site for him where the water was located on the land so he did not have to transfer it. That took until December. By that time, the capital markets had retrenched. Now he has not been able to start that project because of the tightening in the capital markets.

So, just in little Amargosa Valley, I have seen hundreds of millions, if not billions, of dollars being stopped because of our own regulatory agencies. That is disturbing to me.

Michael Skaggs:

Sir, that is disturbing to me. My Deputy Director in the Las Vegas office, Jerry Sandstrom, is watching on TV right now. Jerry, follow up on this. We will work together, and we will see what we can do to better understand this situation and correct it. That is embarrassing.

Assemblyman Goedhart:

It is.

Chair Kirkpatrick:

You are my kind of department agency person. I think you might be back more than once this session.

Assemblyman Settlemeyer:

My question is a little bit different. Sometimes I see too much of a reactive stance rather than a proactive stance in getting businesses to stay in Nevada. Why are we not going over to Vallejo, California, and saying, "Why not leave this interesting state that you have there and come to Nevada?"

Michael Skaggs:

You may like what we are going to do in March. We need to get more deals in our system. Right now, we have 113 projects running in the state, and I need to get more. On March 15, there is an opportunity taking place. March 15 is when our California friends pay their corporate income tax bill. We want to tell them, "If your business were in Nevada, that would be a deposit slip to your bank account, not a check you wrote for taxes." We have targeted 600 high-growth companies in California. Most of them are in alternative energy. Our platform is a minimum of a 35 percent sales increase, but they have not yet responded by hiring people. In other words, they sold more than they can make. Those are the companies we are targeting March 15. They will get an opening letter about "If you were here with us." The price of our facilities is really competitive right now. We are going to send them information about the cost of industrial buildings in Nevada right now. Labor is usually the most expensive piece of a business. We will focus on the labor we have available right now. We are going to capitalize on those attractions and the tax opportunity.

Chair Kirkpatrick:

Mr. Skaggs, you said you could come back Monday morning at nine. We are going to continue only until 10:40 today. Please come back on Monday.

I know the department's outreach is a pretty good program. You get a whole bunch of information for \$50. I went to one in northern Nevada. Some of the state agencies probably do not like me because I use their websites, but they taught me.

Michael Skaggs:

Business is off right now, and that opens up the market in sales. Therefore, a lot more people are hearing our message. I hear about that when we are out making presentations. We have an opportunity coming up at the Redfield Campus in Reno. We are presenting our Global Trade Procurement and the Made in Nevada programs. We have seen standing room only every time we

present them. We are simply picking up the pace and trying to do them faster and faster and faster. Those are good programs.

This is what differentiates us now from when I took over the agency. The people running these programs are really, sincerely in it for the customer. I find my deputies down in Hawthorne on Saturdays because they are worried about Hawthorne. I am fortunate we have that kind of people working for us who really understand people are hurting. They are trying to help them get through this bureaucracy as quickly as they can.

Global Trade is such a good opportunity. I have one full-time person dealing just with global trade. I have simply got to get this opportunity up.

We are all cognizant we now live in a global economy. If your business is selling only in Nevada, your life span is predictable. Businesses really have to get out there and sell their product in this country, if not off shore. That is where the buying power is. Our global trade office does this so well. A lot of people see the numbers, and they believe it is all the minerals going out of here.

The gross statistics indicate that agricultural sales are just as strong as minerals. We send onions to Mexico, Timothy hay to China. All these opportunities in the food area are very, very exciting. This is an area where we are enjoying a lot of success.

The value of exports is \$31.4 billion. I want to see us get higher in our level of growth within the 50 states. I am really trying to grow this division because that is our main strategy. Our rural economic value increases where we help the local organizations. We can actually provide grant money for them to operate and do projects. We get a good return on that investment in terms of project development. About \$13 million comes out as a result of the money we put into projects.

The Community Development Block Grant Program (CDBG) is really helping right now. We have had a lot of success with CDBG. We distribute about \$3 million of federal money.

In the past, we always thought about infrastructure. We all thought about water and sewer and those kinds of common things. We think in terms of infrastructure right now and what we can do to help communities. We can use CDBG dollars, for strategic planning. We can pay for community assessments. It does more good to invest \$20,000 in a community than for them to do their own inclusive plan and take responsibility for implementing that plan, than it does for me to send them a check. You give them the power to run with their

own destiny, but they do not know what that opportunity is. It is a huge education process. I have been really glad to see that we can use CDBG dollars to help.

It looks as if we can do about three of these community assessments a year. The first places to go are the communities with high unemployment. Things are different now. Even if they did the strategy two years ago, they probably need a new plan today. The environment has changed totally.

We have talked about the "Made in Nevada" program a little bit. From the standpoint of public relations, I am not a big advocate of paid advertising. How do we do solicitation and how do we inform the world about what works here? We have a heavy, heavy public relations bias. For instance, this morning, we launched a story about "Team Nevada." That is our renewables sales grid made up of local and regional development authorities, as well as NV Energy. This news story went out at 2 a.m. and has already been picked up all over the globe. It is about Nevada's press to sell renewables. In ReleaseWatch ([Exhibit H](#)) you can see the publications that ran the story.

When someone in a business publication reports that Nevada is serious about renewables, that is worth ten times its weight over an advertisement where we are trying to proclaim that we are serious. It is a third-party endorsement. When we have a success in the renewables, like a new location, we put that information out to trade publications for their peer groups to read. They think, "If my competitor went to Nevada...", so there is a reason we try to parlay off that thinking. That is a big part of our strategy.

I want to briefly touch on these challenge areas. That is probably the place you want me to break.

Chair Kirkpatrick:

That is true. Something you probably learned about me, in the few short meetings we had, is that I am all about giving you the tools, but you better make them work. If you come back with the same problems three sessions in a row, I am not so helpful to you the next time. Could you tell us the tools you need and the areas where we are lacking? You and I have had many conversations, but clearly not enough. This is the buzz across the nation. Everyone wants to have the incentives and the abatements we want to have.

I look at the State of Virginia website. Why come to Virginia? The first thing that pops up is their great education system. The second thing that pops up is their infrastructure. The third thing that pops up is their medical schools.

Those are the first things. The rest of the information in the small boxes is about paying corporate taxes and paying state income taxes.

I am in sales myself. I did not get to that tax part until after I was already in love with Virginia. I definitely want you to tell us the challenges so we, as a state, can help you do better. That is with the caveat that I will definitely call you on it if they are not used correctly. I think Ms. Pierce has a point in that we want to keep moving forward. I think you are the firecracker we need in that division to get things moving and shaking.

Michael Skaggs:

I appreciate your confidence, and I will not let you down.

Obviously, unemployment is the big issue. We are bumping 10 percent. Lyon County is up over 12 percent right now. Everything we are doing right now has got to be about relieving the stress of having 20,000 people out of work. It is the big, big issue right now. It has come up faster than any of us expected to see. That is the big gorilla we have to address right now.

We have to keep money flowing into the infrastructure in the rural parts of the state to make them competitive. They do not have the visibility they have got to have. Sometimes, it is just water systems. Sometimes, it is the drinking water.

We are not talking about sci-fi types of infrastructure. We bought an ambulance last year, and we received a letter from a citizen. Because of having that ambulance, we saved someone's life. You do not expect those kinds of things out of an economic development agency.

When we have good communication with our counties and our cities, and we listen to them, we will understand what their needs are. We are going to respond.

There is a negative perception of doing business in this state. This is just something we have to deal with. We have to keep touting our successes and get them off the vision that this is not the place to raise a family.

Your education comment falls in line with that. This has to be the place to pursue your education and launch your career. It has to be the place to raise a family, too. Those of us who live here know that it is a different experience than some people perceive, and we have to deal with that. It is particularly true of our international visitors. They just do not see Nevada as a business location. In my business plan, we have 95 councils sitting in California that

serve us as well. We are going to make a presentation to every one of them this year on the livability, lifestyle, and business points of being here.

We have already touched on workforce issues. We have to connect the opportunities to the training infrastructure. We have to do a better job of communicating to the training infrastructure—the community colleges—where the opportunities are going to be.

One of our better relationships, right now, is with the Department of Employment, Training and Rehabilitation (DETR). I have been talking to them about something I love, a program called WorkKeys. That is a job skills assessment system that measures real-world skills.

What you are selling when you are looking for a job is your skill-set. That is what you have of value. WorkKeys is a two-hour test. When people go to DETR and are signing up for benefits for the first time, you can have them subscribe to that two-hour test. Then DETR can aggregate for me all the skills currently available in the state by unemployment. I can back-figure what companies need those skills. I can tell them I have 500 workers in North Las Vegas for you. It makes the job easier because I can then focus on something they need. We used WorkKeys in New Mexico, and it helped us a lot. We were able to quantify to an employer the human talent available.

Community capacity issues include leadership. In Wells, we just completed a community assessment and are following through with some forward planning. Wells was devastated by an earthquake. What used to be downtown Wells is not there anymore. We have had a resource team out there. The opportunity is to define what that community is going to be all about when they rebuild. We can provide that kind of serious support to a community that has been devastated.

The next thing in my presentation is about access to capital. This thing has blown up in our face in the last month. Our small companies are having trouble getting money for payroll and operating. Asset financing is still around, but those businesses looking for working capital are just not finding any sources. We are going to do some internal work to try to find everything we can. Our big companies can self-fund, so it is actually the smaller projects that have a horrible problem with this. It is affecting the renewables. It is affecting everything.

I will break at this point and rejoin you at 9 a.m. on Monday.

Chair Kirkpatrick:

Yes, and we start on time. You were here early. I think that what Mr. Stewart said is something worth pursuing. We have worked so hard on the career and technical schools. Those students are engaged and moving forward. Kids today are bored with the Career Fair idea, so I would be anxious to receive some feedback from your office on how you think we could reach these students. Perhaps there is a way they could go out and intern. Perhaps with your partnerships we could spur some community involvement as well as getting the kids prepared. I would be curious if you think we could benefit from that or not.

Michael Skaggs:

I think so. My daughter is 18 and she prefers to learn by experience. That goes back to the opportunity to actually see what the job does. She sees *CSI: Crime Scene Investigation* on TV, and the next day that is what she is going to do. Let her have that experience, and she will change her mind. Perhaps we can figure a way to do that through site visits and other things. I will bring something back to the Committee.

Chair Kirkpatrick:

Does anyone have public comment? Does anyone from the board have anything he would like to talk about? We will start at 9 a.m. Monday for those southern Nevadans who come in on Monday morning.

[Meeting adjourned at 10:38.]

RESPECTFULLY SUBMITTED:

Renee Ekleberry
Committee Secretary

APPROVED BY:

Assemblywoman Marilyn K. Kirkpatrick, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Government Affairs

Date: February 6, 2009

Time of Meeting: 8 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Gustavo "Gus" Nuñez, Manager, State Public Works Board	State Public Works Board Presentation to Government Affairs Committee (PowerPoint printout)
	D	Gustavo Nuñez	Project Manager's General Tasks List
	E	Gustavo Nuñez	State Public Works Board Green Building Design and Construction
	F	Michael Skaggs, Executive Director, Division of Economic Development	Nevada Commission on Economic Development (PowerPoint printout)
	G	Michael Skaggs	Nevada Commission on Economic Development – A Strategy for Economic Diversification, January 2009 (Spiral bound booklet)
	H	Michael Skaggs	ReleaseWatch® - Report on various publications who printed a submitted press release.