

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

**Seventy-Fifth Session
February 11, 2009**

The Committee on Government Affairs was called to order by Chair Marilyn K. Kirkpatrick at 8:01 a.m. on Wednesday, February 11, 2009, in Room 3143 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4406 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, 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
Michelle Smothers, Committee Secretary
Olivia Lloyd, Committee Assistant

OTHERS PRESENT:

Virginia Valentine, P.E., County Manager, Clark County, Las Vegas, Nevada
George W. Stevens, Chief Financial Officer, Clark County, Las Vegas, Nevada
Patricia Mulroy, General Manager, Southern Nevada Water Authority, Las Vegas, Nevada
Kay Brothers, Deputy General Manager, Engineering and Operations, Southern Nevada Water Authority, Las Vegas, Nevada
Ted Olivas, Director, Government and Community Affairs, City of Las Vegas, Nevada
Betsy Fretwell, City Manager, City of Las Vegas, Nevada
Karen L. Storms, CMC, City Clerk, City of North Las Vegas, Nevada
Gregory E. Rose, City Manager, City of North Las Vegas, Nevada
Terri Barber, Chief Legislative Advocate, City of Henderson, Nevada
Mary Kay Peck, FAICP, City Manager, City of Henderson, Nevada
Lisa Foster, Foster Consulting, Reno, Nevada, representing City of Boulder City, Nevada
Roger Tobler, Mayor, City of Boulder City, Nevada

Chair Kirkpatrick:

[Roll called.] We will start out with Clark County.

Virginia Valentine, P.E., County Manager, Clark County, Las Vegas, Nevada:

I want to start off by giving you an overview of Clark County's government and services ([Exhibit C](#)). Clark County is about 8,000 square miles and has a land mass about the size of New Jersey, so it is a very large county. We are governed by a seven-member elected board, and our county has about 38 departments. The county offers municipal services and a variety of regional services, many of which are mandated by the state to the entire population of Clark County, both the unincorporated area and the cities. We operate McCarran International Airport in Clark County. Clark County has 19 towns; those include areas like Laughlin, Bunkerville, Moapa, Logandale, Indian Springs, Goodsprings, and Mount Charleston, and we provide municipal services to those rural areas as well.

Some of the current challenges facing Clark County and all the cities are declining revenues and an increase in demand for services. We see a continued strain on the social services safety net. We have had record lines at the Department of Social Services so, in spite of this time of declining economic fortunes, many county departments are seeing an increased demand for services.

Some of the continued pressure comes from the sweeping out of the indigent accident fund. University Medical Center (UMC) is another challenge. We have taken the approach at the county that we are going to be conservative in both our budgeting and our expenditures. The board adopted a Taxpayers' Bill of Rights, which is a policy statement from the board about their direction to us to manage the budget and the funds at Clark County. Last May, when we could start to see some significant changes in revenue trends, I directed the department heads to begin a more severe level of cost containment. They took that to heart, and we tried to apply control over our budget, in just about every category.

We manage a large number of funds. Some of those are enterprise funds, and some are special revenue funds to cover the many different functions of the county. The special districts have a complicated budget.

George W. Stevens, Chief Financial Officer, Clark County, Las Vegas, Nevada:

The pie chart on page 8 of the handout ([Exhibit C](#)) shows Clark County's Fiscal Year (FY) 2009 General Fund Revenues. A few years ago, the consolidated tax was 45 percent of our total budget, but because of the decline in sales tax, property tax is now our biggest source of revenue. Some of the lesser revenues are licensing and permits. We do receive some tourism-based revenue, as well as a small portion from gaming licensing fees, and a portion of the room tax, as well as franchise fees on utilities.

In urban unincorporated Clark County, the typical tax rate that a taxpayer pays is about \$2.85. We have broken that out according to which taxing entity benefits from the collection of those taxes. On a typical tax bill there is an excess of 15 separate rates that an individual pays. There is a lot of confusion on the part of taxpayers regarding where their money is really going. We have segregated this into three columns. The first one shows those levies that benefit the state or some function that is related to the state, such as the levy for the Clark County School District. The middle column is a rate that was enacted through a voter-approved initiative. The last column shows the portion of the rate that is controlled by the county. One-third of the tax rate goes to each column on the chart: one-third to the state, one-third to voter-approved levies, and one-third to the county.

Fiscal Year 2005 was prior to the Legislature enacting the tax caps. The growths in property tax collections and the assessed valuation were very close. It was very easy, as a local government, to estimate how much property tax revenue you were going to receive because you knew what the assessed valuation was. You just applied the tax rate and came up with a very consistent number. That all changed after the tax caps, which were obviously

needed based on the fact that the assessed valuations in 2006 started to grow dramatically, 28 percent in 2006 and almost 40 percent in 2007. They have moderated somewhat in recent years. In 2009, the growth-rate assessed valuation was only 5.4 percent. We are seeing something in Clark County going into Fiscal Year 2009 that we have never seen before. There are approximately 727,000 parcels on the tax roll, and 99 percent of those parcels will decline in terms of valuation. That has never happened in the over 20 years that I have been involved with local government.

Where we used to expect regular increases in property tax revenue, based on our preliminary analysis of the tax roll, it appears that property tax collections in Clark County will be flat next fiscal year. In some jurisdictions we are seeing declines in what we estimate their property tax collections will be.

We track the quarterly growth rate in the consolidated tax over an extended period of time, as shown on page 9. We are very sensitive to it in terms of putting our budget together. We had a remarkable run in the growth rate of consolidated tax in 2004 and 2005. The chart tracks the business curve you would expect sales taxes to take determined by the economy. We have seen very dramatic declines in consolidated tax in recent quarters. Every time we think it bottoms out, it seems to get worse. We were averaging about a 5 percent reduction in consolidated tax, but in the month of October we had a 10 percent decline, and in the month of November it declined by 15 percent. We are very concerned, going forward, about whether this trend is going to continue or at least see some flattening out in terms of the continuous decline in consolidated tax.

In terms of General Fund expenditures by function, on page 10, the largest portion of our budget goes to public safety and the judicial functions; they comprise over half of our General Fund budget. We are being challenged by the downturn of the economy. We anticipate that we will need to reduce our budgeting expenditures an additional \$56 million just to get through the current fiscal year. Our preliminary estimates of where we will be in the next fiscal year indicate that we will need to cut another \$70 million out of the county budget.

Based on the revenue trends and some of our contractual obligations, we believe \$70 million is probably a pretty good estimate. We are also concerned about some of the cuts the Governor has proposed because those are not factored into the \$70 million number. We do not have many details on how some of the proposed cuts will impact us directly.

We are aware of the proposal to continue to utilize the indigent accident fund and supplemental fund for state purposes, which will have an additional

\$13 million impact on UMC. That is in addition to the impact that we will see in the current fiscal year because those funds are typically allocated at the end of the fiscal year. We have not seen the impact yet, so over the next 18 months that is about a \$26 million impact to UMC. Also, the Governor's proposal to increase the state's collection allowance on sales tax would be an additional \$4.2 million. There is a proposal to divert approximately \$32 million of property taxes, annually, from the county to the State General Fund.

We are analyzing some of the impacts and services that we provide in partnership with the state, one of the largest being the Child Welfare Integration System. These total in excess of \$50 million a year, which obviously would exacerbate the current budget problems we are having.

Assemblyman Stewart:

Are we experiencing a net growth now, month to month, or has that completely declined? Can we get a little update on UMC? We have had serious problems in the past. How is the financial situation there? I noticed this week we had over 200,000 conventioners in town. Is that holding or is that declining as well?

Virginia Valentine:

The population figures we are seeing are flat. In the fiscal year 2009, UMC is going to require something like a \$60 million transfer from the county. Trend-wise, we know that the uninsured population is going up, and we are continuing to have a hard time with the amount of uncompensated care that UMC is providing. It is not so much that UMC is losing money, but UMC is not compensated for a large portion of the care it provides. The amount of uncompensated care for UMC is \$169 million.

Assemblyman Stewart:

Do you feel that the administrative problems we had in the past are taken care of now and most of the problems are with the increased indigent care, rather than poor administration?

Virginia Valentine:

Yes, and in that regard, we have hired a new Chief Executive Officer and a new Chief Operating Officer. George Stevens is acting in a dual capacity as the county CFO and UMC CEO. We find that gives us a lot more transparency and more oversight. There is a lot more control on their expenditures and decision making. We have tried to address that, both in changes in the management and introducing some additional procedures in checks and balances on the contracting process.

Assemblyman Stewart:

My final question was on the number of visitors, the conventioners and so forth—is that holding steady or declining as well?

Virginia Valentine:

I do not have the figures with me, but I can get them to you. From what we see from the Department of Aviation, regarding the number of seats coming in, and from the Las Vegas Convention and Visitors Authority (LVCVA), it does look like visitor counts are down a couple of percentage points over the prior year.

Assemblywoman Mastroluca:

Looking at your pie chart, can you talk about what kind of cuts you have made or are planning to make in areas such as general government and public works, because it sounds like social services is getting the brunt of this.

Virginia Valentine:

I do not know if that would reflect the picture. In specific areas, certain funds can only be used for certain purposes. For example, regarding public works, there is a certain amount of gas tax that can only be used for road maintenance. We do not have the ability to transfer those monies to social services. We have had a hiring freeze on now for some time. We have added a few positions, primarily in the justice system, child and family welfare, and social services.

In some departments we reassigned employees from other departments not experiencing the volume they had, like Comprehensive Planning and Business Licensing. So we have reassigned resources to social services departments. Much of the county budget is not discretionary; certain types of functions are locked in or are mandated. We do not have the ability to say we are going to move the Parks and Recreation Department over to Social Service.

If you looked at the past couple of years, you would see the major shift of resources has, in fact, been to child welfare, social services, UMC, and the health and safety functions of the county.

Assemblywoman Spiegel:

The first slide in the handout shows the statistics about Clark County. The bottom two bullets are "Unincorporated Rural 42.1 percent" and "Unincorporated Rural 1.8 percent." Is the 42.1 percent supposed to be the unincorporated suburban area? I am trying to understand what the difference is between the two.

Virginia Valentine:

I believe that figure is the amount of Clark County that is rural, so that would be outside the urban area.

Assemblywoman Spiegel:

So what is the difference between the 42.1 percent and the 1.8 percent?

Chair Kirkpatrick:

The unincorporated rural 42.1 percent area and the 1.8 percent would be all the pockets within the county, the existing city boundaries.

Virginia Valentine:

That number would probably produce a similar result, but I am told this is a typo, and the 42.1 percent is actually urban area. If you look at Clark County by itself, we have, of the 2 million people, almost 900,000 in urban Clark County. For 900,000 residents, we function like a city and provide traditional municipal services. I apologize for the typo.

Assemblywoman Spiegel:

In talking about the General Fund and sales tax, is there any historical data that shows how much of our sales tax revenue comes from tourism versus county residents? How has that changed and how much has the declining tourism, if it has been quantified, affected the sales tax?

George Stevens:

The state Department of Taxation categories do not lend themselves well to isolating things to tourism. Certain categories, like eating and drinking establishments, have dropped significantly. However, historically in Clark County, a very large portion of sales tax has been associated with the construction industry. Either in the construction of residential or commercial units, as well as when someone buys a new home, they tend to buy big-ticket items like refrigerators and furniture. We are getting a double whammy on the consolidated tax right now because the auto sales are nothing. So you do not get sales tax from the auto sales, and you do not get the resetting of the government services tax, the privilege tax, at a higher level.

Chair Kirkpatrick:

I am curious to know how many other counties ship or fly patients into Clark County for UMC services that we do not get reimbursed for? I bet, because UMC is a trauma center, we get a lot of folks who do not live anywhere near Clark County, even on the Arizona side, coming to UMC. How does the reimbursement process work on that?

Virginia Valentine:

When we did a UMC task force a couple years ago and looked at what the catchment area was for trauma and burn, it was about a 300-mile radius for both trauma and burn that we draw from.

George Stevens:

There are a number of individuals that are transferred in because of the trauma center. Typically, with trauma cases, if it is an auto accident, there is a possibility of getting reimbursement as opposed to trauma that occurs from gang violence. In Nevada, if someone is transferred from another county, there is a feature we provide called intent-to-reside. Quite often we do not get reimbursed by other counties for those people. In fact, we end up with a number of people who stay at UMC for long periods of time because of the difficulty of getting them eligible for social security insurance or Medicaid. They tend to stay at UMC for months, until we can get them moved to a nursing home.

Chair Kirkpatrick:

When local governments throughout the state make their decisions, how does it impact Clark County? I am trying to understand the fiscal impact on counties and what the counties have to pay regarding indigent care. I am trying to make us all work better together.

George Stevens:

I assume you are talking about redevelopment?

Chair Kirkpatrick:

I am talking about all of it, whether it is redevelopment, economic development, sales tax revenue bonds (STAR bonds), or green tax abatement.

Virginia Valentine:

The short answer would be, yes, those abatements do affect the Clark County indigent rate. That is the medical indigent rate that we use to provide indigent medical care through social services, and some of that money winds up at UMC and other hospitals.

Chair Kirkpatrick:

Over time I have learned you do not have to put everything into legislation unless people do not respond. The Consumer Advocate said that it is very hard to work with local agencies through their business licensing department. Is there a nexus? I was not aware that you had to bond out the business through the Consumer Advocate when you get a business license. Is there a better procedure we could have amongst local and state governments, as opposed to

legislating it? We could legislate it, I suppose, but I am trying to see if we could work together or if you know how the nexus works.

Virginia Valentine:

I do not know, but it could probably work better. We have found there are areas of duplication between what we do at the county with business licensing and some of the functions the state performs. We have talked about some areas where we would agree that it is one or the other, and an applicant would not have to go through a process at both. Those have been preliminary discussions internally.

Chair Kirkpatrick:

Does anyone else have any questions? To keep with my theme, please do not stay away from the table. We have to make sure that everyone comes together to work together for all Nevadans. We will now call up the Southern Nevada Water Authority.

**Patricia Mulroy, General Manager, Southern Nevada Water Authority,
Las Vegas, Nevada:**

I gave the Committee a brief overview of the key issues that are driving what the Southern Nevada Water Authority (SNWA) will be doing in the next several years ([Exhibit D](#)). During the 1990s we were extremely successful in negotiating arrangements around water supplies with the other basin states. In 2000 when I took the annual resource plan to the board of the water authority, the water authority's resource plan indicated that we had a 40- to 50-year secure supply.

In 2000, a drought began that we are still in the midst of. Increasingly, scientists are indicating this is probably more the normal state of affairs in the future, given climate change, than just a drought. We have experienced 69 percent of normal runoff, and when the drought first happened, the authority entered into the most aggressive conservation plan in the United States. It is the first massive conservation plan in a major urban area that is a major economic hub of a state.

We have been extremely successful. We have rebated our customers over \$100 million to take out turf. Despite the fact that southern Nevada has grown by 400,000 residents, we have reduced the amount of water that we use by 20 billion gallons. The drought, however, continued. During the last several years we were in a process with the basin states that culminated, at the end of 2007, with the signing of an agreement between the basin states, in which shortages were allocated to the states should Lake Mead drop below certain elevations. We reoperated Lake Mead and Lake Powell, and the water authority

was given the opportunity to participate, financially, in reservoir constructions in California, which would garner additional water resources for southern Nevada during non-shortage times. We are also paying the state of Arizona over \$300 million to bank 1.2 million acre-feet of their unused Colorado River water in their groundwater basins for our future use. We entered into an agreement with the state of California to bank water there for our future use. The most positive thing that came out of three years of brutal negotiations was a much closer working relationship between the seven basin states, particularly the three lower basin states of Arizona, California, and Nevada.

The states have recognized that climate change is a reality we have to adapt to. The State Department and the Department of the Interior are engaged in discussions with Mexico about opportunities to build desalting facilities and other projects that would benefit Mexico during shortages and provide additional resources to the United States.

Southern Nevada is in a unique position. Ninety percent of southern Nevada's water supply comes from Lake Mead. That leaves 10 percent from the local groundwater basin. We could possibly be in a position, as indicated by the script study that came out in the spring of last year, that Lake Mead would drop below 1,000 feet in elevation, which is the minimum operating level for Intake No. 2, and the community would only have 10 percent of its water supply left. There is no way you could conserve your way out of that kind of a water loss. There would not be water in the fire hydrants. We would close down hotels and limit the use of water everywhere we could. It would be a catastrophe.

We have looked at the possibilities of how this drought is going to continue to manifest itself. We have experienced 66 percent of normal runoff over the last nine years. What if it gets somewhat better? What if we get to 69 percent of normal runoff? Under those conditions we would lose our upper intake in three years. That means 40 percent of southern Nevada's water supply is gone.

We are currently in the process of building the most important project for southern Nevada's survival. I have spent an inordinate amount of time talking to Wall Street about this project, as they are looking at whether or not to loan money to private individuals and enterprises in southern Nevada. Intake No. 3 is an \$800 million project that could easily reach \$1 billion given the complexity and difficulty of the project. We have a design-build contract, under a project labor agreement, that has to be completed at the earliest possible time.

The access shaft is being drilled right now, and the tunnel boring machine is being manufactured in Germany and will be delivered here in the United States in October. It will be assembled and put down into the shaft in January, and

we will begin excavating under Lake Mead, literally under the lake, to bring the intake to elevation 860. If the drought continues another two years, we lose our second intake. At this point, southern Nevada loses 90 percent of its water supply, and that is with a 69 percent runoff. Given the magnitude of that, the water authority has no choice but to pursue water resources in areas that are physically separate from the Colorado River. The Secretary of the Interior could eliminate agricultural uses in the lower or upper basins. There are some words of caution around that. The largest water right was given to the Imperial Irrigation District in Southern California, and of their 3.3 million acre-feet, 2.6 million was given to them by the United States Supreme Court, and there is nothing the Secretary of the Interior can do to diminish their diversions of that 2.6 million acre-feet.

The state of California is in as bad, if not worse, shape than Nevada. They have enough water to get through 2009, but in 2010 they could be facing an unbelievable disaster. They have no snow in the Sierra. There is some falling right now, but the Colorado River is dry, and a judge has shut down the pumps from the Bay Delta. The Metropolitan Water District of Southern California is looking at receiving only 17 percent of its deliveries through the State Water Project. Southern California represents the seventh-largest economy in the world, and its collapse would have a major impact on the economy of the U.S.

Those agricultural districts, particularly in the Imperial Valley, represent 10 to 11 percent of this country's fresh fruit and wet vegetables during the winter months. If Lake Mead drops below elevation 1,000, we need to be quite realistic of what that means. It means a reservoir that holds 25 million acre-feet will have less than 5 million acre-feet in it. At elevation 1,050, Hoover Dam stops generating electricity, and the world as we know it in the Colorado River Basin will be dramatically altered.

The basin states funded an augmentation study; together they hired the joint venture of Black & Veatch Ltd. and CH2M Hill. The State of Nevada managed that project on behalf of the seven states and looked at any and all opportunities on how to augment the Colorado River. We are pursuing many of those projects. In the short term—given a five-year window and the fact that just a continuation with an improvement of this drought would mean a disaster in southern Nevada—we were left with no option but to pursue the in-state groundwater project.

In 1989 we filed on groundwater rights in various basins throughout the state, and we have whittled that down to six basins. We have gone to hearings on five of the basins, and we are scheduled to go to a hearing on the sixth. On the five basins we have gone to hearings on, we have entered into stipulations with

the federal land and natural resource agencies—the U.S. Fish and Wildlife Service, the Bureau of Land Management, the Bureau of Indian Affairs, and the National Park Service—and have invited the Nature Conservancy to the table to forever manage those basins with us.

We bought ranches in Spring Valley in order to acquire surface water rights because drought conditions are going to exist in those basins, as well as in the Colorado River. It is going to become increasingly important that surface water supplies are not allowed to just go out on the playa and evaporate. As those quick melts come in the spring, they are captured through infiltration basins and forced into the groundwater basin to stabilize those groundwater basins. Climate change is going to have a dramatic affect on this state's water supply, in the Reno and the northern Nevada area as well as in southern Nevada.

We have to begin adapting. As controversial as this project is, in the absence of a large federal project that would bring significant resources into the Colorado River watershed and securitize the water supply of the Colorado River, we are left with no option but to build the in-state project, if it is needed, and only if it is needed. For the moment, our biggest project, and the one that is of absolute paramount importance to us, is the third intake.

Our financial situation, building the third intake, could not be more precarious. In the handout on page 8, we show the funding structure for all the capital projects in southern Nevada for water. Fifty-seven percent of those revenues come from connection charges. There is a portion from sales tax, and the rest comes from the regional water rate. The connection charges have dropped from a high collection of \$188 million to \$18 million. We started the year with an opening fund balance of \$510 million; we are down to \$480 million. We have a capital program and debt that we have to pay on \$4 billion. That is the size of our capital improvement plan.

With this funding structure, we went to Wall Street to secure bond ratings. They were extremely nervous about us having that large of a dependency on connection charges because it is such a volatile revenue source. We had to run models and commit that we would never divert the trust fund to securitize that debt. If our trust fund disappears, our credit worthiness and our ability to go to market next year to sell \$500 million worth of debt, in order to pay for the third intake, will essentially evaporate.

That is the challenge we face. The water rates are flat, and the water revenue collections have gone down by 7 percent because of conservation and foreclosures. Connection charges are virtually nonexistent, and the situation is worsening every day. In the last month, rather than collect any connection

charges, we are now rebating them to developers who are retiring their subdivision maps, returning their acreage to dirt, and giving up their water commitments. In doing so, they get a refund on their connection charges. So, instead of collecting anything, we paid out \$2 million in connection charges.

We do not expect the situation to get any better in the short-term. We are not looking for any kind of turnaround before the latter part of 2010, if at all. To that end, it is an extremely dicey situation for us right now. The last thing we can afford is to end up on credit watch and have our bond rating severely impacted as a result of the financial situation that all of us in the State of Nevada face. I will end my brief overview of what the situation is in southern Nevada.

Assemblyman Settlemeyer:

How much water do you expect to get from the desalting plant in Yuma compared to how much water you would be possibly taking from other basins within the State of Nevada?

Patricia Mulroy:

Part of the problem with Yuma is that it would not be available during shortages. The state of Arizona will keep any and all water that is produced by the Yuma desalinization plant if shortages get declared. That will disappear as a water supply for us. How much we are able to get from Yuma is a very sticky issue. We are in negotiations with the Environmental Defense Fund, with the Sonoran Institute, and with the country of Mexico.

The water right now that comes from the Wellton-Mohawk irrigation district goes into the Ciénega de Santa Clara wetlands, which is part of the Pacific Flyway and one of the most lush bird habitats you would ever want to see. It is completely isolated; there is no development around it, and it has hundreds of species of birds. It is one of the major habitats for the willow flycatcher. The environmental community is demanding that any water that is put through the Yuma desalter must somehow be replaced to the Ciénega de Santa Clara.

Kay Brothers, Deputy General Manager, Engineering and Operations, Southern Nevada Water Authority, Las Vegas, Nevada:

When the plant is fully operational, which is only a short period of time, it will produce between 80,000 and 100,000 acre-feet. The pilot program we plan to run is slated to produce about 30,000 acre-feet, which would be split among the three states.

Assemblyman Settlemeyer:

How much water do you expect to take from other basins within the State of Nevada, through the pipeline, where the water you are receiving is from other agricultural areas?

Kay Brothers:

Our resource plan shows a range of between 125,000 acre-feet and 165,000 acre-feet. We are getting closer to coming up with a number because we have gone through hearings with five basins, and we still have one basin hearing to go. Generally, if you are considering 125,000 acre-feet, that is probably mid-range for what we are planning to get out of the basins.

Patricia Mulroy:

During the negotiations that culminated in 2007, one of the most important features that Nevada received was the ability to generate return flow credits off the water. That water is available for full reuse. Southern Nevada, unlike any other area in the U.S., reuses its wastewater almost 100 percent.

Assemblyman Bobzien:

I appreciate the overview of the finances and the situation that you have right now with the connection charges and how that is impacting things, but what exactly is the relationship with the Las Vegas Valley Water District in terms of your budget and how all that comes together? I need a better picture of that.

Patricia Mulroy:

The Southern Nevada Water Authority (SNWA) is a partnership. The water district is the managing partner. The only connection between the water district's budget and the water authority's budget is the same relationship that the other member agencies have with the authority's budget. We pay a wholesale delivery charge. The water district pays \$263 for every acre-foot of water it buys from the water authority. Other than that, the two budgets are very separate.

The water district's budget is generated predominately from water sales, with a much smaller component from connection charges, which is a local connection charge that is layered on top of the regional connection charge. The regional water rate that is levied by the water authority is a tack-on to every water bill in southern Nevada and lies on top of the local water rate. Right now, the regional water rate is 10 cents. The two agencies are financially separate.

Assemblyman Stewart:

I appreciate the work of the SNWA. You keep the Legislature very informed with periodic briefings, which are very helpful. I would like to make it known

that in addition to the third pipe taking water out of Lake Mead, there is also a new pipe being built to put the treated wastewater back into the lake. Could you comment on that briefly? Also, you said you have a contract with California for storage. I would assume we do not get much out of that, do we?

Patricia Mulroy:

In California, we have banked 70,000 acre-feet.

Assemblyman Stewart:

So, they will not be accessing that because of their water shortage?

Patricia Mulroy:

They can access it, but it is a virtual bank. They can use it, but under the contract, when we need it, we get it back.

Assemblyman Stewart:

Can you comment on the pipeline going into the lake with the treated clean water, and then also what are the projections on the snowpack for this year? Do you have any projections on how things are going, so far, in Colorado and Utah?

Patricia Mulroy:

We report to the water authority board every month on the condition of the Colorado River Basin. The Clean Water Coalition (CWC) is the coming together of the wastewater agencies in southern Nevada to build a diffuser pipeline to go around the Las Vegas Wash and put treated wastewater back into Lake Mead, for purposes of generating return flow credits.

Kay Brothers:

The status of the project is that they have construction management contracts and some design contracts, but have not actually started any construction. They are currently looking at six diffuser pipes going into the Boulder Basin and are also looking at condensing the project to maybe three pipes to reduce the cost. They are suffering from the funding woes that we all are; the fees for sewer connections have gone down. They are looking at their financial plan as well and trying to assess how much and how far to go right now.

Assemblyman Stewart:

What does the snowpack look like so far?

Kay Brothers:

Since Christmas, it was above normal about 115 percent; however, since December, it has not snowed much, so we are going to see a little less than

normal. We are preparing our update for our board meeting next week, so I am anticipating it to be 80 percent of normal. Again, that is a guess—I think it will be less than normal.

Patricia Mulroy:

And that is not good. We started last year with 120 percent of normal around this time, and ended with a year of just 102 percent of normal, so we just had a normal year last year. What worries us is, in 2006 for example, we had a very quick warm-up in the month of March and lost 30 percent of the snowpack to evaporation—it just disappeared. Unfortunately, what snow did fall in December was pretty powdery and did not have the water content we would have hoped for.

Assemblywoman Mastroluca:

I am very impressed with the water conservation program that you have put forth. You have a great partnership with the local television stations to get the information out. I was wondering, are you still offering turf rebates?

Patricia Mulroy:

Yes, we are.

Assemblywoman Mastroluca:

I was told by a constituent that they called in December and they were told there was no money for turf rebates and they had to call back in 2009.

Kay Brothers:

In November of 2008, we changed the program slightly. We were offering \$1.50 per square foot with an unlimited cap, and many golf courses were taking advantage of that and actually making money off of the cap. It was threatening the amount of money we had budgeted, so we capped at \$300,000, which is all you can get. The golf courses are restricted to doing about an acre and a half. The \$1.50 is there for up to 5,000 square feet for residential, and over 5,000 square feet you go down to \$1.

Assemblywoman Mastroluca:

It was a residential home. My second question is, how much water are we storing in Arizona?

Patricia Mulroy:

The state of Arizona is storing 1.2 million acre-feet of its unused Colorado River water in its groundwater basins for our future use.

Assemblywoman Mastroluca:

Is SNWA working on a partnership with California because they do not have the strict regulations that we have as far as water rights? It is my understanding that just on the other side of Pahrump or Amargosa Valley they can start drilling and take whatever they want, whereas we have very strict water rights. Is SNWA involved in conversations with California to try to preserve that so they do not start draining our basins?

Patricia Mulroy:

No, we have left that to the purview of the State Engineer. We have not talked to them about groundwater pumping.

Assemblywoman Spiegel:

I have a question about the invasive Quagga mussel. What has the impact been on the intakes we have, and how does the mitigation of the mussels' impact affect the plans for the building of Intake No. 3?

Kay Brothers:

We have seen the screens over the intakes fill with Quagga mussels, and we had to go down and actually spray them off to reduce them. We have chemical feed on Intake No. 2 and are looking at getting the concentration right for potassium permanganate—if it is a little high, your water will turn purple. We really do not want to do that. We are looking into that along with chlorine, to really start to control them, and we are going to be taking that knowledge from Intake No. 2 to Intake No. 3. The mussels can be controlled somewhat by chlorine but, again, it is a very invasive problem. Even while controlling them with chemicals, we will probably have to be cleaning some off as well.

Assemblyman Aizley:

I am trying to understand the banking of water in Arizona and other places. My assumption is you would take it from the lake and they will not ship it back to us. What will happen if the lake level is below the 1,000 feet when you need it?

Patricia Mulroy:

Then we will not be able to take it. We will not lose the water in the bank. When the lake recovers, we will be able to take it, but if the elevation drops below a certain threshold, we will not be able to take it.

Assemblywoman Pierce:

What is the amount of water that a tamarisk tree takes out of the whole Colorado River Basin every year?

Kay Brothers:

I will have to get back to you on the total amount of water taken from the whole basin.

Assemblywoman Pierce:

Can you guess?

Kay Brothers:

If you were looking at the evaporation off of Lake Mead and Lake Powell, which is about 1.5 million acre-feet, it is much more than what the tamarisk takes. The evaporation from the surfaces is much more than what the tamarisk would evaporate. Even if the tamarisk took 10 percent of that, I would be surprised.

Patricia Mulroy:

That is a very good question. Tamarisk removal is part of the augmentation plan that the basin states have adopted.

Assemblywoman Pierce:

What is that plan exactly?

Patricia Mulroy:

The plan is to begin funding the removal of tamarisk within the Colorado River watershed.

Assemblywoman Pierce:

How does that get done? Is it labor-intensive? Is it a matter of pulling it out?

Kay Brothers:

Yes, it can be very labor-intensive. We have done programs on how best to remove tamarisk. We can burn it, but you have to go back in and paint the areas because the stems will start to grow again, so continual removal is about the only solution.

Assemblywoman Pierce:

I think I read somewhere that there was an introduction of a species that ate the tamarisk. What is the status of that?

Kay Brothers:

Yes, there is a beetle they are looking at in the Grand Junction area that is released to eat the tamarisk. They are studying what happens if the beetles start to concentrate so much that they become the problem. A tamarisk foundation in Grand Junction is doing that study, and I will be happy to get you the latest update on what they are doing. It is very encouraging.

Assemblyman Claborn:

I think I can answer Ms. Pierce's question. A regular adult tamarisk tree will suck about 300 gallons a day in water just to furbish the tree. They have a program going on in the Ruby Mountains regarding the beetles you were talking about. It is a very small acreage, but it seems to be working pretty well. Every year there are millions of gallons of water that we lose to the tamarisk tree.

I want to commend Ms. Mulroy and her crew for the great job they are doing. I would hate to see if Ms. Mulroy was not the leader driving this ship. I have been working on these water projects in Las Vegas since 1977, and I have seen the progress we made since then. We are so far ahead of other states and counties. Ms. Mulroy, alone, has done such a great job. She has the foresight that none of the other entities have even thought about doing. I would say if she was not at the helm of this ship, we would have already been out of water.

Chair Kirkpatrick:

One of my pet peeves is the Springs Preserve. It is so expensive to go through the whole preserve. I will not go there because my constituents cannot afford to go. My family and I would rather spend the day at the Lied Discovery Children's Museum.

Patricia Mulroy:

We have heard you, Madam Chair, and we are lowering the price. We made that decision last week as we were doing the budget for the preserve. The money is even tighter for southern Nevada residents. It is very difficult for them to travel, and the preserve would be an attraction for them. We are dropping the price for adults down to \$9.95, for children to \$4.95, and children under five years old come in for free.

Chair Kirkpatrick:

All water agencies across the state make me crazy, because I do not know how the organization works and how it all comes together and where the accountability is. I would like to know who gets the audits. Every time I turn around there seems to be another agency created that is going to work with these 19 different agencies that may talk to this agency, but will never talk to another agency. I do not know how the Clean Water Coalition fits in. I do not know who SNWA reports to or who the Las Vegas Valley Water District reports to. Can you tell me who the boss of SNWA is?

Patricia Mulroy:

I report to two boards. I am the General Manager of the Las Vegas Valley Water District. All SNWA employees are employees of the Las Vegas Valley Water District. The water authority enters into a contract that is renewed

annually, to make the water district its operating agent, which has saved southern Nevada a tremendous amount of money. Every year they appoint me the General Manager of the water authority. For all matters that relate to the water district, I report to the Clark County Commission, which is the ex officio board of the Las Vegas Valley Water District. On matters of the water authority, I report to the water authority board, which is made up of three county commissioners and one representative from each of the cities.

The authority is one of the most member-managed agencies that exists. Everything we decide has originally come through the ranks of all the participating agencies. We have a technical group that meets virtually every month to discuss technical issues. The finance directors meet on a regular basis to discuss the financial issues of the authority. I meet with the county manager and the city managers every other month. The conservation groups work together. The authority does not make decisions and then tell its member agencies what those decisions are. All the partners of the authority come together and make that decision together.

Chair Kirkpatrick:

On the state level, I am going over the audits within our agencies. Is there a better process? I realize we are all in a time of crisis, but do you have an audit process?

Patricia Mulroy:

Absolutely, we get audited. Every year the water district is audited by an external auditor, and the water authority is audited as well.

Chair Kirkpatrick:

How would I receive a copy of those audits?

Patricia Mulroy:

I would be happy to send them to you.

Chair Kirkpatrick:

That would be great. Last session we worked very hard with northern Nevada, and coming from southern Nevada it was a very tense situation to bring everyone together to try to start planning, as a group, in northern Nevada. I worked with a constituent who was one of the founding members of the SNWA. We had some tough spots in northern Nevada, but in the end they are all working well together. We did not let them acquire the ability to go out and start buying up stuff. I heard comments like, why can southern Nevada have limited liability companies (LLCs) for their things, but northern Nevada does not

have that ability. Within statute, it says these agencies can come together and acquire a bond to make transactions.

Patricia Mulroy:

The water authority was created through a joint powers agreement. In doing so, the cities, the county, and the water district, which was created by an act of the Legislature in 1947, all conveyed upon the water authority their powers and authorities. The water district's act is quite extensive. It allows the water district a tremendous amount of flexibility to be able to create those kinds of institutions and to be able to reach outside the boundaries of Clark County. For purposes of the water authority, those are water district powers that the water district conveyed upon the authority.

Chair Kirkpatrick:

I have lived here my whole life. I remember in grade school we would talk about how, in 2010, Las Vegas would run out of water, so we needed to hurry and grow up so we would not have to live there. I am still in Las Vegas, and in 2010 we are going to run out of water. I thought that Intake No. 3 was going to be done in 2011 originally. Why have we changed it to 2013?

Kay Brothers:

Our original estimate was 2012, and then we looked at some of the complexities and thought, for all purposes, we had better plan some additional time to 2013. However, in order to bridge the gap if the lake was to go down and we lost our upper intake, we are installing larger pumps in Intake No. 2. We will be increasing the capacity in Intake No. 2 from 600 million to 735 million gallons per day. That will give us the capacity that we might need to get us through to 2013, or until the next intake is available.

Ted Olivas, Director, Government and Community Affairs, City of Las Vegas, Nevada:

I would like to thank you for giving us this opportunity to tell you a little about our city and some of the current challenges we face. We have provided some handouts for your reference during this presentation ([Exhibit E](#)). We are not going to go through all of this today, but we have some fast facts and a few maps. The first is a map of the Las Vegas Valley, which shows the Assembly districts and where many of you are located. We have a map of our downtown area and a number of projects that we have going on downtown in various stages of development. We have our City of Las Vegas, *Community Profile 2008*, which has a lot of information on Clark County in general.

We also have an article written by Ms. Fretwell for the *Public Management Magazine* on the lessons we learned from our fundamental service review. This

review was a top-down analysis of the operations of the City of Las Vegas because of our current financial situation, as you can understand. We have a few charts that show our General Fund Revenues and expenditures and our Redevelopment Agency's tax impact. We have an economic impact analysis on our Redevelopment Agency and a press release on one of our redevelopment projects. Hopefully, these handouts will be of value to you throughout the session, and with that, I would like to turn it over to Ms. Fretwell.

Betsy Fretwell, City Manager, City of Las Vegas, Nevada:

We appreciate the opportunity to give you a brief overview of our city and to talk primarily about two things: 1) our economic condition, and 2) some of the key efforts of our Redevelopment Agency. Both of those topics are critical to you as the Government Affairs Committee members, and some of the bills related to those issues may end up in your Committee. I want to give you some quick, high-level fast facts about the City of Las Vegas. I know many of you represent portions of the City of Las Vegas, and so you may know this material.

The city is about 130 square miles. We have a population of close to 600,000. We have over 220,000 households in our city. We have a General Fund budget of about \$557 million and a total budget of about \$1.5 billion, just to put things in perspective. We have close to 3,000 employees, and in a little while I will speak to that and about some of our efforts to contain costs because those numbers are going down.

We do everything from soup to nuts. We do animal control and rezoning, and we provide a tremendous amount of public safety for our valley. That is where we spend quite a bit of our time and effort. It is important for you to understand, at a high level, what we do and how much control we have over the revenues that we use to perform those tasks. We have control over about 13 percent of all the revenues that come into this city. The rest of the revenues come through state distributions and are managed and controlled from a rate-setting standpoint by the Legislature, and to some degree by regulatory agencies in the state. That is something you would want to keep in mind.

If you look on the third page of the document, you can see we spend almost 70 percent of all our funds on public safety functions. About 30 percent goes for other general operating expenses, including maintenance, planning and development, and parks and recreation. That gives you a sense of the magnitude of our city government. I would like to jump quickly into the economic conditions. Many taxation matters may end up in a different committee than this. I know that you often have bills before you that impact our financial condition through our functions, the things we do to provide services to our residents.

It is important to understand the things we have been working on over the last two years to try to address a huge revenue shortfall after a sustained period of double-digit growth. I do not think any of us expected what we have been experiencing over the last 12 months. We feel we were responsive early, and we are fortunate we were able to meet with our council every two weeks. You are in a different boat; you meet every two years. We were able to adapt every two weeks and make adjustments to try to modify our budgets, based on the new trends that we saw.

I think it is just a way of managing appropriately. We have been sharing that information with many of you, and I know some of you have been able to attend some of our outreach sessions. You heard earlier from Virginia Valentine and George Stevens about some of the dilemmas that Clark County has been facing regarding their revenues and revenue shortfalls. We are no different. We are in the same boat with the state and county. We all depend on almost the same exact revenue sources, with slight variations. Our numbers have been going down dramatically as well. Last month our consolidated tax (CTAX) was down about 12 percent, the county's was down about 15 percent, and North Las Vegas was down 20 percent.

When you rely on the sales tax for 50 percent of your incoming revenues, and you have that kind of a dip in any one month, it sends shock waves throughout your organization and the community. We are feeling the same thing. About one year ago we embarked on an effort to turn over every stone in the City of Las Vegas. We conducted a fundamental service review. Ted Olivas referenced the article in your handout that describes the process we went through.

I thought you might be interested in some of the outcomes. In the FY 2008 budget, we cut \$46 million, which is about 8 percent. We are evaluating additional cuts in preparation for additional revenue declines. We are holding about 7 percent of all our positions vacant right now; that is close to 200 positions. Some of you may hear from your constituents that the city is unable to respond as quickly as we have in the past. I know Assemblyman Munford has talked with me about graffiti response and neighborhood code enforcement issues, things that are very vital to the heart and soul of our city, which is his district and Ms. Pierce's as well. We have a lot of issues in the urban blighted area, so we have been in a cost-containment mode as much as we can, and we are starting to see some service impacts as it relates to that.

We have identified a whole series of different savings mechanisms. We all realize that we cannot save and we cannot spend our way out of this. We are

trying a variety of tactics to manage our budget and stay within the resources we have available, and still keep our level of service up as high as our citizens have come to expect.

In the fundamental service review, we reviewed every single department and came up with 106 recommendations. We started with many more than that, but some were not implementable and may not have yielded the results we wanted. We may look at some of those recommendations, given the current financial situation and the fact it is not getting any better, and does not seem to have bottomed out yet. We identified close to \$11 million worth of additional cuts that we felt we could make. We are in the process of getting those in place, so that they will be a part of our next year's budget.

On top of the \$46 million in cuts, we are working on another \$11 million in cuts, and we are holding another 7 percent vacant in our personnel, which equates to about \$17 million. That is not a small amount. With a total budget of around \$550 million, it comes close to about 15 percent. We are trying to stay focused on the right things. We have frozen all executive compensation and have limited cost-of-living allowance (COLA) increases over the last couple of years. We have reduced the hours of operation in our recreational facilities. We have reduced maintenance and upkeep in our parks, which may result in some feedback to you from your constituents.

We have reduced animal control hours by 22 percent. We have initiated additional reviews of our fee schedules, some of which have not been touched for 20 years. You may hear something from the business community about us reviewing our fees right now, when it is a really tough financial time for everyone. We have been looking into our internal service funds and enterprise funds to make sure we are doing everything possible to sustain service and avoid further layoffs.

We had to lay off some individuals in our development services function area. We eliminated about 30 positions in the spring and are in the process of another reduction that will impact about 50 positions in the city. We do not take this lightly, but if there is not enough work to be done, then we have to make some hard decisions. Unfortunately, unless we can find other places in the city for those individuals to take up the needed work, we will have to let them go. You have to do what you have to do.

We have also initiated a voluntary separation program. We are awaiting the results—it may help us avoid future layoffs. We have been negotiating in earnest with all four of our collective bargaining units. We have been successful in negotiating reductions in the cost of our labor growth. Two of our

unions came forward and willingly negotiated reductions in their contracts. I cannot thank them enough for being willing to work with us on that. It will probably help us save jobs as we make our way through this really tough time.

Midyear, the council adjusted our budget again by another \$20 million, so we have reduced the number that I told you even more. I give a tremendous amount of credit to our department heads. They have been very diligent in keeping their costs as low as possible by keeping a lot of positions vacant. We are hoping to under-run our General Fund budget because there are significant service impacts as a consequence of that. We are trying to preserve public safety, put off things that can be put off, and keep people employed and jobs intact where we need to have things done for our citizens.

Madam Chair, would you like me to go right into the Redevelopment Agency part of the presentation, or do you want me to address any questions related to our economic situation, or hold them until the end?

Chair Kirkpatrick:

I am not ready for redevelopment at this second, so does anyone have any questions?

Assemblywoman Spiegel:

You commented there were some slight variations in your sources of revenues from the rest of the county and the state. I was wondering what some of those variations are?

Betsy Fretwell:

For instance, the county has a gross gaming tax, and we have a flat gaming tax. They do other things that are not on our docket. We do not receive indigent health care funding because we do not have a property tax levy for that. It is mainly because we have different things to do. In some instances it is just a different model of taxation for cities versus counties.

Chair Kirkpatrick:

Do you want to clarify that? Although you may not receive indigent care funding, Las Vegas use that service.

Betsy Fretwell:

It is a county-wide service, and Las Vegas do take advantage of that. The city contributes to various aspects of indigent care, not the way the county does, through direct assistance or medical assistance and those traditional types of social services. We engage in helping the regional homeless efforts and medical triage efforts to help reduce hospital emergency room overcrowding. We do not

receive a specific tax to support that. Yes, the county provides that service for the entire valley.

Chair Kirkpatrick:

I feel as if I am sticking up for the county today, but I am trying to make sure everyone knows that there are tons of Las Vegas and Henderson folks that use those services.

Betsy Fretwell:

We try not to duplicate what the counties are responsible for doing and have resources to provide for the entire valley.

Assemblyman Stewart:

I know we have had some forgiveness of the penalties of late traffic tickets. Did the city do that and how successful was it?

Betsy Fretwell:

About one year ago, that effort related to parking tickets. It was moderately successful because a lot of those tickets, we felt, were going to be uncollectable. So getting some of that in was better than getting none of it in.

Assemblyman Stewart:

Was it the county, then, that just did it recently?

Betsy Fretwell:

I think that was in the justice court. I am not sure.

Assemblyman Stewart:

Have you considered using volunteers to fill some of these vacant positions on recreation and so forth? I know there are legal matters to keep facilities open; has that been explored?

Betsy Fretwell:

We have looked into volunteers. We have an active core of volunteers, particularly in our Park Ambassador Program. We have to be careful about using volunteer labor, court appointed labor, and community service labor. It could work against our labor contract requirements; then we would have grievances filed against us for using outside labor, which is protected under that labor contract.

Assemblywoman Mastroluca:

I just wanted to ask you to expand on the situation of the homeless population in Las Vegas. I am sure, with the economic times we are in, that issue has

become larger, and I would like to hear more about what the city is trying to do in working with those groups.

Betsy Fretwell:

We have a regional approach to homeless services that we have been working collectively on for over five years. Through an interlocal agreement and the Regional Planning Coalition, all the local governments jointly fund some positions in the Clark County Social Service Department to help provide outreach and a variety of programs. These programs help people get back on their feet, reenter society, and get off the streets. We have continued that effort even during the downturn, although there are times we have to look at our budget and wonder if that is something we should continue when it is not a core part of our mission.

We know there are day-to-day impacts on the quality of life in our city and on the residential and commercial communities where many of these social services are housed. The impacts on west Las Vegas are too numerous to count, so it is critically important for the city to stay engaged in that dialogue, even though it is money that we might use in other places for public safety.

We recognize there is a real need to continue to address this problem, particularly in light of the economic conditions. We continue to work on the regional Ten Point Plan to end homelessness. We have been working on that for quite some time. We invest a significant amount of money in housing, and we spend quite a bit of effort on trying to prevent homelessness. If you can prevent homelessness, you are going to get a lot further along because there seems to be a repeat cycle—once someone enters the cycle of homelessness, it is very hard to get them out of it. That is how we have been focusing our efforts and continuing to work with that regional partnership.

Assemblyman Munford:

I have been a representative of Assembly District No. 6, and one of the dire needs in the district was a grocery store. Over the last year that has been accomplished, and I want to commend the City of Las Vegas for playing a role in that. How is the store doing? Do they communicate with the city in terms of revenue?

Betsy Fretwell:

I have been told it is a very successful project and the community really appreciates having that choice of a grocery store near their homes. It seems to be working really well. I do not have any recent information on their economic performance. I will request they provide that information to you,

Assemblyman Munford. I am sure some of that is proprietary. It seems to be an immensely successful project, and we hope to have more of those.

Assemblyman Munford:

It seems to have the patronage. I see quite a few vehicles in the parking lot. The grocery store is attached to the Edmonds Town Center, and there are still quite a few empty stores—the tenant level is very low. What role can the city play in helping to encourage tenants to locate in that particular area?

Betsy Fretwell:

Through the Redevelopment Agency, we do have the ability to provide incentives to help businesses get their feet on the ground and build value. We have been successful at taking about \$1 of public investment and turning it into \$15 of private investment, as one of the reports in the handout references. We would like to continue that trend. We work regularly with the Edmonds Town Center folks to try to help them fill those storefronts.

Part of the problem is the downturn in the retail commercial sector. It is very hard to get retail growth in this economic climate. That does not mean we cannot continue to beat the pavement and try to find businesses that are willing to start up. Maybe this makes it more important to have business incubator funding and programs to help start up businesses. We can certainly look into that for you, and I would be happy to give you an update on how the Edmonds Town Center is doing on its vacancy rate.

Chair Kirkpatrick:

Ms. Fretwell, there are three more cities that have to present. I personally see some discrepancies within the report, so rather than start my debating off early, I want to wait until my bill is heard next week. This is a good starting point. Southern Nevada uses redevelopment more than 16 other counties. All the cities within that one county use redevelopment. I have found most counties do not do redevelopment—it is really a city issue.

Next week we are going to have some very serious discussions about redevelopment. It is true that a good downtown is the hub of the entire city. People drive to downtown. Anytime and anywhere I travel, and I do not travel much, I always drive straight to the downtown area to see what Nevada is missing out on.

I look forward to working with all local governments, but we have to figure in the losses that counties across the state take when we do some of the redevelopment projects we do. I say that because Washoe County has had to make up the difference for some of the things that Sparks or Reno has done.

Elko County will absorb some of Elko's losses. It is a lot bigger discussion than the next six minutes we have. I do appreciate that we are doing good things by trying to redevelop areas.

Betsy Fretwell:

I know you have been working on this issue for a long time and are very passionate about it. We are committed to working with you on this. We believe in transparency. Our Redevelopment Agency (RDA) has been very successful, and we can prove it. We would love to be a part of that discussion next week. Some things get muddled in the analysis because we do not look at the very discreet components of these projects' success. One particular project in the city's redevelopment area sheds some light on the value of the RDA to the county, the school district, and the state.

If you look at the success of the World Market Center for a distribution to the county, in 2005 the county was getting \$19,000 in property tax for that parcel. Now they are getting \$205,000. The school district, on the other hand, is getting 17 times the amount of revenue they were getting in 2005, from almost \$39,000 in property tax to \$681,000. So we are excited to have a conversation. We are totally with you on streamlining, making these projects accountable and successful. We want to build a strong foundation for our urban communities and for all of our county services.

Karen L. Storms, CMC, City Clerk, City of North Las Vegas, Nevada:

I am pleased to introduce to you our City Manager, Mr. Gregory Rose, who will make his presentation to you.

Gregory E. Rose, City Manager, City of North Las Vegas, Nevada:

I appreciate the opportunity to give you an overview of what is going on with the City of North Las Vegas ([Exhibit F](#)). For the past ten years we have been in the top ten fastest-growing cities with a population of over 100,000. Last year, we were the fastest-growing city in that category. Where that is a blessing, it is also a curse; during the good times we received great benefits from development fees that enabled us to do some savings. During the tough economic time, it has been a negative for us. Our zip codes 89030 and 89031 lead the nation in foreclosures.

The city's priorities are identified in the presentation. They were established in 2003 primarily to guide city staff as we went through the budgeting process. On February 4, 2009, the city council approved our Capital Improvement Program (CIP), which is a five-year program that is updated annually. The presentation identifies some of the highlights of our CIP projects and funding sources. We are planning to construct in the redevelopment area, but not using

redevelopment funds, in an effort to add jobs in the community and to try to revitalize a blighted area.

I want to focus attention on the economic state of North Las Vegas. The slide on General Fund expenditures shows that public safety takes approximately 56.9 percent of all General Fund dollars. Other general government functions such as parks and recreation and fleet management take up about 20 percent.

Regarding our General Fund revenue sources, our consolidated tax is our main revenue, about 31 percent of our General Fund budget. The consolidated tax is the revenue source that is being hit the hardest. We have seen significant declines. It dropped about 20 percent, if you compare November 2008 to November 2007. The next slide provides a clear picture of our declining revenues between 2006 and 2009.

Foreclosures have hit North Las Vegas more than other jurisdictions because of the rapid growth that we experienced. We are forecasting in 2010 that we will not be growing at all. The city council started preparing for the downturn in our economy back in 2003. Southern Nevada's economy has always gone up and down—that is very typical. What could not have been forecast is the deep recession that we are in today. Many positions were approved for the second part of the year, allowing time to reassess economic conditions. If those positions were not public safety or related to public safety, such as in the court or in a detention facility, they were not brought on board. We also did some proactive measures with our fleet—we changed the amount of time that we keep our police cars on the road. We are basing our vehicles' changeover on time as well as other factors. That has saved us \$4.3 million.

We have also reprioritized many of our capital improvement projects, as noted in the handout. In 2003 no one was predicting this deep of a recession. We had to make significant adjustments. This fiscal year, we proposed, and the city council accepted, a few recommendations. We are hiring some employees outside of public safety, but we are very strategic in doing so. We are trying to make sure we do a good job with graffiti abatement and that we provide the maintenance the parks need.

Also, we want to make sure we have the police officers and the firefighters necessary to give our citizens a sense that our community is safe. We recognize that you cannot begin to reduce staff in some areas, such as parks or our water reclamation facilities, without also having a discussion about the reduction of services. I strongly believe that this is a time when government will be looked upon the most, because of declining revenues and high

unemployment. Government services will be highly strained, especially in our parks and recreation area.

We are going to have to make some adjustments, not just for this fiscal year, but also for the next one. This fiscal year we already cut roughly \$15 million off of our budget. We recognize we are going to have about \$1.5 million left to identify in expenditure reductions. For next fiscal year we are looking to drop about \$23 million off of the base budget. While we have had an 18 percent fund balance for a few years now, we are going to have to decrease that fund balance to balance our budget.

We are asking department directors to reduce their budgets by about 6 percent. Even with all of the cuts, we still have \$4.6 million to identify out of an already taxed budget for next fiscal year. We will be looking at our bargaining units—the Teamsters and fire and police—to try to get them to participate in cost sharing. We continue to reprioritize our Capital Improvement Projects (CIPs), and we will consider further reductions, perhaps of some services. We have indicated to our bargaining units that if they are willing to work with us, we will try to avoid layoffs.

For example, in our building area, rather than laying off some of the building inspectors, we have shifted them, or will be, to code enforcement, where we expect to have a higher number of complaints in the coming years. We are trying to make adjustments that way because we do not believe layoffs are a way for North Las Vegas. We would rather try to keep those individuals employed.

That concludes my presentation. You should also have a copy of our community profile for 2009, which has information about our tax structure, our expenditures and revenues, and general information about our community.

Chair Kirkpatrick:

Does anybody have any questions? [There were none.] I want to send a message to all local governments that we need to continue our efforts, so we can make good policy changes that benefit Nevadans across the board. I am not seeing it.

Gregory E. Rose:

Madam Chair, I appreciate your comments. We think there are some areas where we can work together with you in order to strengthen the regulations that govern redevelopment. We are eager to have those discussions and be a part of that process.

Chair Kirkpatrick:

Does anyone else have anything to add? We are ready for the City of Henderson.

Terri Barber, Chief Legislative Advocate, City of Henderson, Nevada:

It is a pleasure for us to be here. I have with me our City Manager, Mary Kay Peck, and she will make a brief presentation about our city, and we will be very happy to answer any questions at the end.

Mary Kay Peck, FAICP, City Manager, City of Henderson, Nevada:

I want to talk to you about what makes Henderson unique ([Exhibit G](#)). We are all in the same financial condition, whether it is the state or the local governments you have already heard from. I would also like to talk to you about the financial problems Henderson is facing and the steps we are taking to address them. We provide water, sewer, police, and fire. All of those are municipal departments, rather than consolidated or regional departments.

One of the fundamental beliefs that our mayor and council have, and we as staff follow through with, is the importance of citizen outreach. We frequently survey our residents to find out what matters to them. We surveyed them in January because we know that with the financial problems we are facing, we are going to have to look at how we provide services to them. We wanted to ask them what really mattered. I will share some of the constituents' results with you. They generally do not know if they are driving on a state road or a City of Henderson road, or who maintains that road. All they know is someone in the government needs to take care of certain things for them.

We have been a historically fast-growing city in a very fast-growing state. Through the 1990s and the 2000s we were the fastest-growing city in the country; then North Las Vegas overtook us. We gladly and graciously ceded that title to them.

We have an interesting background in terms of the amenities we provide our citizens. Our citizens have voted tax increases for amenities. The very beautiful and heavily used recreation centers you see in the City of Henderson have been paid for by a tax bond override that the residents voted for themselves. That is how we were able to build those centers. A portion in the tax bond paid for maintenance of our parks and recreation. That is one of the reasons that Henderson has those kinds of amenities.

Compared to local governments in this state and elsewhere, we have developed as master-planned communities. We have had large parcels of land available for developers, whether it is 300, 700, 2,000, or 6,000 acres. We are able to

work with the developers and ensure that they provide parks—and they do not just give us land for parks, but they build the parks and the fire stations and equip the fire stations for us. They give us parcels of land for school sites. We have been very fortunate in that way, and it does make a difference with the services we are able to provide.

About ten years ago, we realized only 12 percent of the people who live in Henderson are able to work in Henderson, so we made a very conscious effort to change that. Now over 30 percent of our residents live and work in Henderson. That was a targeted economic development strategy we pursued. *Forbes.com* recently put us on their list of "America's Ten Most Boring Cities." Their prime measure was, how much coverage do you get nationally? Well, we are overshadowed by Clark County and the Strip; there is no doubt about it. We do not get that kind of coverage, but because we were named one of the most boring cities, we received a lot of national coverage about that.

The same as the state and my local-government colleagues have experienced, Henderson is facing a significant shortfall in its General Fund budget. Our budget shortfall is \$53 million—that is 20 percent out of our \$265 million General Fund. Our numbers are similar to your numbers, except your numbers have a lot more zeros at the end. When you look at the percentages of shortfalls, you can see we are all in the same boat. I am going to pass over the slides regarding the General Funds. There are small differences in where our money comes from between the local governments. For example, what we call intergovernmental resources is basically consolidated tax, which makes up 44 percent of the City of Henderson's revenue, and property taxes make up 19 percent. You are the folks who are in charge of how that money is given to us. Consolidated tax is changing, and that is our biggest source of revenue. It is down, and we expect it to continue to go down.

In November our consolidated tax revenues for the City of Henderson were down 15 percent; 80 percent of that is sales tax. The next-largest component is the real property transfer tax. As you know, people are not transferring property, they are not buying, and they are not selling. In our assessed valuation we have actually considered property tax revenue to be our most stable source of revenue; it is not anymore, and it is going down. We have been told by the Clark County Assessor that they have received the highest number of appeals in history. They have received 600,000 appeals. That number is probably not going to hold; it is probably going to go down.

The next slide shows where we spend our money. The largest portion of our money is spent on public safety, and that is police and fire. We made a pledge to the members of this body, when the quarter-cent sales tax was passed in

Clark County, that we would hold it steady. Any amount of the quarter-cent sales tax would be in addition to the money we were already spending. The next slide shows what the building permit valuation is. There is a statistic from our development services center fund, which is an enterprise fund, meaning that all the revenues from that fund go to that fund. This is where we are being hit the hardest. Southern Nevada has depended on development, and we are not getting the amount of development we have had in the past. That has been an important employment segment and revenue source.

You know our problem; now let me tell you what we have been doing about it. We took a five-year look at our finances because we do not know how long this recession will last. We are watching economic indicators and hoping that we are at the bottom. We have been told to expect a U-shaped recession.

We have a five-year plan and then a specific one-year-at-a-time plan. We have built in a five-year-long hiring freeze; it is the only way we can make our budget balance over the next five years. We have assumed our consolidated tax is going to go down, so we are hoping we will be at the bottom of that U of the recession in 2010, and that it remains flat and then increases very modestly over the next years of our five-year plan. We expect our property taxes will decline, and we will give no COLA increases for city employees for the next three years of our five-year plan. We have deferred capital projects, unless of course we are fortunate enough that the federal stimulus project helps us out there.

We have instituted a hiring freeze. We viewed that as a workforce reduction. We have not filled 161 positions, and that is a workforce reduction of 8 percent. It is very difficult to get approval to fill any positions. We have done some internal moving about of people and have gone outside for only five positions since the hiring freeze. We have looked at policy reviews and changes. We changed the way we fund our long-term liabilities, such as workers' compensation and deferred projects. We cut our base operating budget by 10 percent. Each department was told to do that. If these figures look familiar, they are similar to the things you have done at the state level and with other local governments.

Changing the way we deploy our fleet, using our cars for longer periods of time, deferring projects, taking the interest from our enterprise funds and putting it in the General Fund to help out—these are the things we have been doing to get to the \$53 million shortfall. We asked our employees to give us suggestions on how we could save money, and we received over a thousand suggestions. We have assigned each of those suggestions to a team to review, and we are implementing them. Some give us very modest savings, but the program is

getting our employees into the right frame of mind. We are going to get all of our departments doing a fabulous job of process improvements.

We need to look at how we can save money for our residents during the financial crisis. We just finished the first phase of a voluntary severance program that our human resources director helped us craft. He came to us with 25 years of experience in the private sector and had been through five voluntary severance programs. He wanted to reduce our payroll over the five years of our financial plan. Our voluntary severance program will reduce it over 16 years, and we will get a payback in 9 to 12 months. It is a case of spending money to save money. We had 57 employees accept the offer, and of those 57 positions, some will be frozen; we expect the majority will not have to be refilled. The workforce reduction will increase from 8 percent to a higher number.

We continue to be vigilant about what we are doing. We are monitoring all the economic indicators. We have the luxury of meeting every two weeks. We are able to take information to our council on a monthly basis and make the changes we need to make. We are changing our budget model as the numbers come in. We are also considering additional programs such as voluntary furloughs.

When we asked our constituents what the most important issues facing them were, number one was the economy and number two was improving the quality of education. Our residents do not differentiate between what influence the state has, or the school district has, or the City of Henderson has. We all share the same constituents, and they do not really care who provides the services to them as long as they get them. Madam Chair, I will pledge to you that Henderson will be at the table. We can talk about money and we can talk about programs, but at the end of the day, it is what happens to the people. We are willing and able to partner with you as we move through this unprecedented time of financial challenge.

Assemblyman Stewart:

I would like to thank you for the coordination we have with the legislation, particularly with the last meeting we had. I would like to comment on the parks and trails we have and what a great job you have done there. I would like you to follow the example of Las Vegas and give us a one-page fact sheet about Henderson; I think that would be helpful. Have you considered more volunteerism in filling some of the positions that have vacated? I know you have had problems with that, but I would encourage you to see if you can get more volunteers to help out with some of those services.

Terri Barber:

We have a voluntary program. We are finding there is more of an interest in volunteers, and we use community service in our court system. As the recession has deepened, crime has gone up, and we are finding more and more projects for community service folks.

Assemblywoman Spiegel:

My constituents and I appreciate the services that Henderson provides and the manner in which they provide them. Especially things like parks and recreation, and the Henderson Senior Center—they provide invaluable services to our people, including the use of volunteers. I have volunteered and met community service people doing that. I would like to comment on how impressive Bob Cooper and the economic development group have been in attracting businesses and bringing more jobs to Henderson. I would love to see those efforts continue to build up the economic development of the city, so that it can hopefully pull us out from our foreclosure problems and other related issues.

Terri Barber:

Thank you. I will pass that along to Mr. Cooper.

Assemblywoman Mastroluca:

I just wanted to say thank you for everything the City of Henderson has done. I have had conversations with the mayor and council members. I am very impressed with the ability they showed and the time they took to save money before this economic crisis hit. While you are making cutbacks and struggling, you have still taken an upper hand. I know there have been hiring freezes, and I am sure there have been cuts to city services, but I have to say, as a resident, it is not apparent. When I call to report a light out, by that afternoon the light is fixed. The response has been wonderful, and I wanted to thank you for having such a wonderful city. I am very proud to live there.

Assemblyman Stewart:

I want to extend my thanks to Jim Gibson for his 12 years of service. I know his term as Mayor is about over, and he has done such a remarkable job. We are all very reluctant to see him go; he is pretty much irreplaceable.

Terri Barber:

We feel that way about Mayor Gibson as well.

Chair Kirkpatrick:

It is really important that local and state governments work together. In this session we need to be leaders, adult-like, and work together. When we look at the things we sacrifice to make our cities better and unique, we need to be

mindful, across the board, of the losses to the counties and the states. I am going to enjoy the conversation next week.

We will go ahead and bring Boulder City forward.

Lisa Foster, Foster Consulting, Reno, Nevada, representing City of Boulder City, Nevada:

I have with me the Mayor of Boulder City, Roger Tobler. We have given you two handouts; one is a fact sheet on Boulder City and one is the annual report. With that, I am going to turn it over to the Mayor, who has a presentation for you today.

Roger Tobler, Mayor, City of Boulder City, Nevada:

I have been mayor for only two years, and it is good to see some familiar faces on the Committee. I will give you some quick facts about Boulder City ([Exhibit H](#)). It will be a real challenge for us, when the Hoover Dam bypass bridge opens, in dealing with public safety on two major highways, U.S. 93 and U.S. 95, because we are going to have a great increase in traffic and we are dealing with a small city budget. Although Boulder City has not grown, we do have a very large city geographically and enough space for our solar energy zone in El Dorado Valley. In El Dorado Valley we have 85,000 acres that are in conservation easements. We have many acres that are dedicated to the energy zone. This has provided very valuable lease revenue to the city. We also feel we are doing our part in promoting green energy, in particular solar energy.

Chair Kirkpatrick:

Where is your redevelopment area? I am not sure where the blight is.

Roger Tobler:

We have a map we can give you. Part of our redevelopment agency (RDA) district is in the downtown area and also extends through Nevada Way going toward Henderson. I have to admit, our RDA plan is a little bit different, if you look at how Henderson, Las Vegas, and North Las Vegas have directed certain areas that definitely would be considered blighted. I think Boulder City may have a little different type of RDA plan.

We are a small city, but we have a quaint downtown. Some businesses actually use RDA funds. We allow only 30 percent of the eligible projects to use them on their businesses. For example, Milo's has brought a lot of business into our downtown area. We are trying to build up visitation, and we have a tourism committee that is promoting Boulder City as "a world away for a day." We are trying to get people to come out for a day trip or stop in Boulder City as they are going to Hoover Dam or Lake Mead. The promotion has been very

successful in that regard. A lot of the businesses in our downtown area really struggle because Boulder City is so small. A lot of the money has gone down there from our RDA.

Chair Kirkpatrick:

When 9/11 happened, we were all diverted from Laughlin to a two-lane road, which is now a four-lane highway. Was that a huge impact?

Roger Tobler:

We did not have the truck traffic coming through town. The cars still come through our town and up Highway 93. We have a lot of residential streets that now turn onto that highway, but they also turn onto Nevada Way, which is a business sector for us. It impacted us in a good way, because the trucks were no longer coming through our town. That is going to be a struggle when they come back.

Chair Kirkpatrick:

It kind of seems silly, now that the road to Laughlin is a full-on highway.

Assemblyman Aizley:

Did you say there would be geothermal work out of Boulder City? I am not familiar with where the geothermal location would be.

Roger Tobler:

Geothermal is not really common in southern Nevada. We have a legitimate group that is doing some fact-finding in Boulder City. We are an attractive area for geothermal because of the grid, the closeness to the connections down there. This is a different technology—they go down a lot deeper; and they shoot a lot of arms down there. It does not deplete the heat source; it actually allows the regenerations so they do not have to redrill holes. They drill down about 5,000 feet.

Assemblyman Aizley:

Is this starting in the high level of Boulder City or down in El Dorado Valley?

Roger Tobler:

They are pursuing an area that is down south of the town, but not in the energy zone. The reason why is because our charter allows only solar energy right now. We have a ballot question to allow geothermal out in the El Dorado Valley as well. Hopefully this will pan out. We need baseload power for Boulder City when we renegotiate the Hoover Dam agreement; and, if we lose some of that power, we will need to look for some other inexpensive baseload sources for Boulder City.

Assemblyman Stewart:

Mr. Tobler was a semi-outstanding student who required quite a bit of after-school help, but he has developed really well. I appreciate him being here, and I would like to point out some other interesting things about Boulder City. They have a great bighorn sheep herd, and I frequently take my grandchildren to see the herd on the way down to the dam. We also visit people in the Veterans Home. Boulder City is a great place to visit. Mel's Diner is another great place to eat. Thank you.

Chair Kirkpatrick:

With that, I hope your experience in our Committee was pleasurable. We really try to make it open, and when we ask you to come to the table, we expect you to be there. With that, thank you very much.

Is there any public comment? Is there anything from the Committee? Yesterday we had a question from Mr. Goedhart on the permitting for public water rights, and Susan Scholley has a copy of her research for everyone.

Meeting adjourned [at 10:35 a.m.].

RESPECTFULLY SUBMITTED:

Michelle Smothers
Committee Secretary

APPROVED BY:

Assemblywoman Marilyn K. Kirkpatrick, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Government Affairs

Date: February 11, 2009

Time of Meeting: 8:01 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Virginia Valentine, P.E., County Manager, Clark County, Las Vegas, Nevada	Prepared PowerPoint Presentation
	D	Patricia Mulroy, General Manager, Southern Nevada Water Authority, Las Vegas, Nevada	Prepared PowerPoint Presentation
	E	Ted Olivas and Betsy Fretwell, City of Las Vegas, Nevada	City of Las Vegas Presentation
	F	Gregory E. Rose, City Manager, City of North Las Vegas, Nevada	Prepared PowerPoint and Community Report
	G	Mary Kay Peck, FAICP, City Manager, City of Henderson, Nevada	Prepared PowerPoint Presentation
	H	Roger Tobler, Mayor, City of Boulder City, Nevada	Prepared fact sheet, map, and Annual Report