

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

**Seventy-Fifth Session
February 4, 2009**

The Committee on Government Affairs was called to order by Chair Marilyn K. Kirkpatrick at 8 a.m. on Wednesday, February 4, 2009, in Room 3143 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/75th2009/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

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

GUEST LEGISLATORS PRESENT:

None

STAFF MEMBERS PRESENT:

Susan Scholley, Committee Policy Analyst
Scott McKenna, Committee Counsel
Denise Sins, Committee Secretary

OTHERS PRESENT:

Robert L. Crowell, Mayor, Carson City, Nevada
Lawrence A. Werner, City Manager, Carson City, Nevada
Robin Williamson, Supervisor, Carson City, Nevada; Director, Carson
Water Subconservancy District, Carson City, Nevada
Bob Spellberg, District Manager, Gardnerville Ranchos General
Improvement District, Gardnerville, Nevada
T. Michael Brown, County Manager, Douglas County, Minden,
Nevada
Nancy McDermid, Chair, Douglas County Board of Commissioners,
Minden, Nevada
Edwin D. James, General Manager, Carson Water Subconservancy
District, Carson City, Nevada
Phyllis Hunewill, Chair, Lyon County Board of Commissioners,
Yerington, Nevada
Dennis W. Stark, County Manager, Lyon County, Yerington, Nevada
Todd Cutler, Mayor, City of Fernley, Nevada
Greg Evangelatos, Interim City Manager, City of Fernley, Nevada
Greg (Bum) Hess, Chair, Storey County Board of Commissioners,
Virginia City, Nevada
Pat Whitten, County Manager, Storey County, Virginia City, Nevada

Chair Kirkpatrick:

[Roll called.] Yesterday we introduced everybody, so today we are going to get right down to business. I'd like to invite Carson City up to speak.

Robert L. Crowell, Mayor Carson City, Nevada:

I am proud to appear before you as Mayor of one of the best cities in the United States, the combined city and municipality of Carson City, Nevada. With me on my left is Supervisor Robin Williamson, who sits on the Board of Supervisors, and on my right is Larry Werner, City Manager. Nick Providenti, Finance Director, is here in case there are any questions.

There are about 57,600 people in our community. That figure has been declining slightly over the past three years. Median income in Carson City is around \$63,000.

There are approximately 230 properties in foreclosure today, 160 of which are structures and 70 are vacant lots. The community has a total of about 18,000 residential structures. Property sales prices have declined 20 percent in the past two years. There is very little residential construction going on in Carson City.

There is a homeless situation in Carson City. Approximately 4 to 5 percent of our students in Carson City schools are homeless, something that residents thought would never occur in Carson City. We are aware of the problem, concerned, and doing what we can to take care of the situation.

The unemployment rate in Carson City is 9.4 percent as of last month, compared to the state average of 9.1 percent. I would like to inform the Committee that the 9.4 percentage deals with straight unemployment, not with those whose jobs have been cut in terms of hours or services.

Some large projects are going on in Carson City, one of which is a winter ice rink, generating great interest in the downtown area. Downtown redevelopment is a priority for Carson City. Downtown is the heart of our city and can be compared to the heart in your body. You have a healthy heart; you have a healthy city. We are doing what we can to encourage development to build a nice city and an attractive, quality downtown, so we can have a healthy city and a better place for the Legislature to feel comfortable doing its state business.

Supervisor Williamson is the head of our redevelopment agency. We have presented a redevelopment plan for downtown in conjunction with the Urban Land Institute. Citizen participation will assist in determining what the downtown area will finally look like when it is complete. The redevelopment plans include finishing the freeway bypass off Highway 395. The freeway currently ends at Highway 50; however, it will be extended to Fairview Drive in March, which will improve traffic and get a lot of big trucks off Carson Street, creating a more beautiful downtown. The bypass will eventually go all the way to Spooner Summit and benefit downtown by eliminating the burden of traffic and other elements that would detract from the downtown area.

Redevelopment has also brought in new stores to give Carson City a better sales tax base. Some vacancies remain due to the economy, but redevelopment is working to rectify the situation. They are also working with the automobile

dealers in town to keep auto sales in Carson City. Auto sales represent 40 percent of the city's sales tax budget. Incentives have been offered to auto dealers to keep them in Carson City. Hopefully, this will be a beneficial situation for the city when the economy turns around.

In terms of the city's finances, 40 percent of the budget is financed by sales tax. Forty percent of that amount comes from auto sales. About 24 percent of the budget is from property tax. As an aside, we have about \$14 million in abated property taxes.

Over the past three years, sales taxes have declined 23 percent. The sales tax rate in Carson City is 7-1/8, and of that, we have two voter-approved increases of 1/4 cent each, one for quality of life purposes and another for streets and highways. There is also an 8 cent tax that was implemented by the board, without voter approval, to finance bonds for the V & T Railroad, which is under construction.

The property tax rate is \$3.12, which is at capacity and should remain stable. General fund revenues this year are \$56 million. Sales tax collections are expected to drop by about \$3 million next year.

Budget projections for Carson City are a bit different from other counties. The budget crisis is expected to bottom out, and the city will weather the next few years by using ending fund balances and the stabilization fund. There is approximately \$3.5 million in the stabilization fund, which, when added to other funds, total anywhere from \$8 million to \$12 million, depending on the amount used for economic redevelopment incentives. If the economy does not continue to decline, and ending fund balances are used to provide the same levels of service currently provided, pay cuts may not have to be implemented. An open dialogue must remain in place with all participating bargaining units to ensure that if the economy further declines, which is a possibility, a meeting with those bargaining units will result in solutions to continue providing current levels of service with the number of resources available.

Carson City is dependent on the sales tax contribution made by the auto dealers. We saw the decline in auto sales about two years ago, prior to the beginning of the housing crisis. Carson City began looking ahead, instituting a hiring freeze. Thirty-seven vacant positions were eliminated from the budget, early retirement programs were implemented, and all capital improvement spending was deferred, unless it was necessary for the health and welfare of the citizens. Cooperative agreements were made with neighboring counties to provide services in the areas of water, wastewater, and transportation. The city has engaged in cooperative activities to share common services with our

school district. All this is being done to gain savings without having to reduce services.

Two years ago, we reduced our budget by \$3 million. This year, we reduced the budget again significantly. If the economy is stable, we should be able to get through the next two or three years.

There is a trend toward mental health issues within the homeless population in the community. This is also prevalent in the jail and hospital emergency room populations, with people coming into Carson City to use those services. It is a function of Carson City to have the medical facilities available for use by both residents and others who come into the city. For one reason or another, some of these people end up in the justice system and have to rely on those facilities and services. I cannot give you a dollar amount as to the cost for these services.

In closing, thank you for the opportunity to participate with the Legislature in solving the State of Nevada's fiscal crisis. We understand we represent the same people, we are here to do the right thing by our people, and Carson City's cooperation can be assured.

Chair Kirkpatrick:

Thank you for hosting the Legislature at City Hall last evening. Are there any questions?

Assemblyman Stewart:

It sounds like Carson City is in good hands. Can you give us a report on the Ormsby House, please?

Lawrence A. Werner, City Manager, Carson City:

We have been working with the owners of the Ormsby House for almost six years. The issues delaying the construction are building codes, having permits issued, and the slowdown in the economy.

Assemblyman Aizley:

How many of the emergency room beds are being taken up by mental patients at this time?

Robert Crowell:

I do not know, but I will find out and get the numbers to you as well.

Chair Kirkpatrick:

I have some redevelopment questions. I want to know a little bit about your citizen participation and how it works. I also want to know whether or not you are abating sales tax dollars in the redevelopment plan, specifically the 40 percent that comes from the auto dealers. Are you giving away half of that 40 percent?

Robin Williamson, Supervisor, Carson City, Nevada; Director, Carson Water Subconservancy District, Carson City, Nevada:

We hope not. In terms of citizen involvement, we do have a citizen's committee for the redevelopment authority. At the suggestion of the Urban Land Institute, a downtown consortium has been established as a web-based outreach program with five different committees dealing with civic issues. Approximately 500 people participated during the summer, developing long- and short-term goals. A presentation was given October 16, 2008, by the consortium, sharing ideas on how to interface with other organizations to create public/private partnerships benefitting the downtown area.

Regarding the auto dealers, in Carson City, redevelopment is our only economic development tool. One of the large auto dealers had purchased 140 acres in Douglas County and was threatening to move there. Proceeds from the landfill project were used, through an intergovernmental loan, to loan to redevelopment for financing projects by Dick Campagni and Michael Hohl auto dealerships, with the idea that they would stay in Carson City. They also have to show increases in sales tax. If the taxes increase over a series of years, Carson City will return some of that sales tax back to the auto dealers. There are "claw backs;" if they drop below a certain point, they will have to return some of those funds. It is a 20-year commitment to stay in Carson City for each dealership.

Chair Kirkpatrick:

In the "claw back" provisions, how often do you audit? Is this something new that you are trying? I find that we are very lackadaisical across the state, often not going back to make sure that we actually get what we said we want. Out of 26 states across the nation, there are about 13 that have a very consistent process that they follow, but the majority do not have any specific process. It is like giving my teenage daughter an open checkbook and telling her to come back when it is empty. That could be tomorrow or 20 years from now. I am wondering what your provisions are on that.

Robin Williamson:

We have a provision that a year after inception, we will monitor those projects. Neither one of the projects has gone forward, nor have we had the opportunity to institute a monitoring process. It is provided for in the agreement, that every

year there will be an evaluation of where they are in terms of sales tax generation. With the economic slowdown, we have to use more current numbers, rather than the numbers we anticipated a couple of years ago. We try to be very prudent and fiscally conservative in Carson City, and we want to make sure that we are getting our investment returned to us.

Chair Kirkpatrick:

I appreciate that. As I look across the nation, I cannot believe how many people out there have open checkbooks, and nobody ever makes sure there is enough money to cover their expenses. We are not unique in Nevada, but I am hoping Nevada can attain a higher level of fiscal accountability.

Lawrence Werner:

We have monthly sales tax reports that will come back from the auto dealers. They have a commitment to meet a certain percentage, and if they do not make that percentage, there is a payback provision within the agreement that they have to pay back the difference between what the value would be and what the required sales tax would be. We have not started the program yet, as neither Dick Campagni nor Michael Hohl has built any of the facilities they are supposed to build within this provision. Once the program starts, we will then begin monitoring on a monthly basis.

Chair Kirkpatrick:

Monitoring on a monthly basis may be a good idea. Are there any questions? Thank you very much. We look forward to working with you. At this time I would like to invite Gardnerville Ranchos General Improvement District up to speak. Good morning and welcome.

Bob Spellberg, District Manager, Gardnerville Ranchos General Improvement District, Gardnerville, Nevada:

[Distributed a copy of *Gardnerville Ranchos Fast Facts* ([Exhibit C](#)) and referred to it while speaking.]

Gardnerville Ranchos General Improvement District (GID) was established in 1965 by the Douglas County Commission pursuant to *Nevada Revised Statutes* (NRS) Chapter 318. We were created because of a developer's request to build a subdivision, in a district with no nearby services. This also allowed him to pass bonds and to build his infrastructure.

Responsibilities of the district include water, sewer, streets, street lights, storm drains, and parks and recreation. Other functions we are allowed to do, but we do not, are refuse pickup and disposal. NRS Chapter 318 includes a laundry list of things that GIDs can do. Some are given carte blanche and can do

any function, while some are just created for specific purposes by the County Commission.

Using our utility bill information for 2009, the estimated population of Gardnerville Ranchos GID is 11,000 people. The state demographer does not estimate population for GIDs. The district is approximately six square miles in size. It serves more than 4,500 water and sewer connections and has more than 45 miles of water and sewer lines that it maintains. The district also has more than 45 miles of paved road that is maintained by the use of ad valorem and/or consolidated taxes.

The district has not raised its tax rate of approximately 37 cents for more than ten years. The authorized rate for the district is more than 70 cents per \$100 of assessed valuation. The assessed valuation for the district for 2008-2009 is \$319,479,000. Revenue sources are ad valorem taxes, consolidated taxes, and interest income. The district is not eligible to receive motor vehicle fuel taxes. Water and sewer proprietary funds and user fees are used for the operation of the water and sewer fund. There are no ad valorem funds that go to those proprietary funds.

Money from water and sewer, annexation fees, and user fees is used to build infrastructure for the system. The district has more than 600 acres of undeveloped land within its boundaries that is available for future development of commercial and residential projects. The district has more than 250 vacant lots available for residential construction. There could be 3,500 homes built in the future. More than 540 of those acres are annexed into the district.

The district maintains two parks. Bluerock Park is one acre in size and is fully developed. Mitch Drive Park is 20 acres in size and is in development. Currently, it has walking trails, tennis courts, and a children's playground area. Future projects include a fishing pond and a skateboard park for kids. There are two elementary schools and one middle school in the district. We are one of the strongest districts in the state.

Chair Kirkpatrick:

I am sure we will have you back. I am going to request staff to get a comparison of the difference between towns and GIDs, for example, a comparison of Laughlin and a GID in northern Nevada. It is important for southern Nevadans to understand why Moapa Valley is a town, but northern Nevada is made up of mostly GIDs. Any additional input would be appreciated.

Bob Spellberg:

A GID actually has more autonomy than an unincorporated town. We have our own governing board of five trustees, elected similarly to county commissioners or city councilmen. We can make up our own minds on many issues. We do not have to go to the County Commission if we want to raise water or sewer rates. The only things we cannot do are zoning, building, and fire department activities, as we were not created to deal with those issues.

Emergency medical services can be handled by a 318 district, as the East Fork fire and paramedic districts are a combination of a 318 district and a 473 fire district. We do work closely with Douglas County and maintain a cooperative relationship.

Assemblywoman Pierce:

I am looking at this first paragraph in the handout about the history of the Gardnerville Ranchos GID, and it says Red Swift, the man who owned the land, tried to get the land annexed to the towns of Minden and Gardnerville, but was turned down because of the proximity of the land to the towns. I do not understand; why could it not be annexed?

Bob Spellberg:

At that time, the town of Gardnerville was almost five miles away. Now, we are just across the river from each other. At that time the town did not feel it was doing its residents any favor by extending the town's boundaries. We are nestled in between Highway 395 and Highway 88, and you cannot see us from the road. When you go over the river, past the golf course, and up the hill, you will see homes built back in 1965, as well as the newest sections now being constructed. Homes range in value from the low \$200,000s to almost a million dollars, depending on where you are located in the subdivision.

Chair Kirkpatrick:

I was thinking about the consolidated sales tax, and I was wondering where you fit in that formula. Do all the GIDs work well together? I ask that question because I received an exorbitant number of letters on this subject from folks in the north. I am curious how you function together, or do not function together, and also if there is something to help that process flow more smoothly.

Bob Spellberg:

Douglas County has the most GIDs in the state. They were created because they would allow functions using a different tax rate instead of taking money out of the county budget. We do get together once in a while with other GIDs to confer over certain issues and share ideas. Our district is very proactive as

far as sharing procedural and policy manuals. We try to work together as a team. We want to keep the GIDs alive.

A few sessions ago, the supplemental city-county relief tax (SCCRT) money was going to be taken away from all GIDs. Once the committees realized that GIDs are diverse and the money is used for more than just proprietary functions, some GIDs were allowed to collect SCCRT and others were not, as they were single-purpose districts.

Bob Spellberg:

In the old days, we received the SCCRT and we received motor vehicle privilege tax. As the taxes were combined, we received what they now call consolidated tax, which is 45 to 50 percent of our general fund budget.

Assemblywoman Spiegel:

I have two questions. The first is whether or not you have been affected by the economic downturn, and if so, how? I was also wondering if you have seen an increase in homelessness.

Bob Spellberg:

We have seen many more foreclosures. We do keep track of our foreclosures for the purpose of our water system. In the past, we have had three or four at times; now there are 40 or 50. Water shutoffs for nonpayment numbered 10 to 15, and now they number 70 or 80. We budgeted appropriately for the economic downturn and have lowered our expectations. We will probably have to lower them even more and tighten our belts as our sales and property taxes continue to decline. We see very little homelessness in the district. The district is wide open, and the commercial area is relatively small, so if homelessness is seen, it would be in other parts.

Chair Kirkpatrick:

Thank you very much. At this time I want to invite Douglas County up to speak.

T. Michael Brown, County Manager, Douglas County, Minden, Nevada:

I am honored to have with me Ms. Nancy McDermid, Chair of the Board of County Commissioners, and Vice Chairman Greg Lynn. We also have another member of the Board, Michael Olson, who is in attendance in the audience. We have a handout ([Exhibit D](#)) that is comprehensive. It refers to Douglas County and its current financial condition. There is also some information toward the end of the document that has statistics on personnel, salaries, and surveys. I would like to hand the microphone over to Nancy, who has some opening comments, and then I would like to go through some of the information in the handout.

Nancy McDermid, Chair, Douglas County Board of Commissioners, Minden, Nevada:

There are challenges to be faced in Douglas County. One of them has to do with revenue issues. Concerns are shared by all counties alike. However, there is quite a difference in Douglas County in a couple of areas. Our demographics are quite different. We have a very small and declining school population, and a much larger, increasing senior population, which is on page 12 of the handout ([Exhibit D](#)). That is a sobering statistic with regard to the services that Douglas County needs to provide to its citizens. Just as Carson City has mental health challenges, Douglas County's seniors have challenges obtaining services. This causes an additional problem with revenue issues. Seniors are on fixed incomes. Often, Douglas County is represented as having a high per capita income. However, seniors on fixed incomes have resistance to any tax increases. The graph on page 17 indicates that in the past 12 years, many of the measures put before senior citizens for a vote have been voted down.

A portion of Lake Tahoe is in my district. It is a challenge. There is a bistate agency called the Tahoe Regional Planning Agency (TRPA) that governs land use in the basin. I am one of 7 Nevada representatives on a board of 15. The other members are 7 Californians and a Presidential appointee, which at this time continues to be a Nevadan and, according to the compact, does not vote.

Lake Tahoe represents 40 percent or greater of the assessed value of Douglas County. The gaming tax for the last decade is down 34 percent, and the transient occupancy tax is down 39 percent over that same period of time. In December 2008, a Las Vegas-type casino opened on Highway 50 in Shingle Springs, California. It is state-of-the-art, it is absolutely an architectural amazement, and it is not, by any stretch of the imagination, shabby. It is very nice. Our casinos in Tahoe, by comparison, are quite old, and with the environmental issues in Tahoe, we have not been able to implode or do anything to the old structures as has been done in other parts of Nevada. Three of our four largest employers are the casino-hotels in Tahoe.

We are working with commercial property owners at the lake to look at ways to reinvest, redesign, and recreate their properties to take them forward for the next 40 years. But any vote of the TRPA governing board, for a Nevada project, requires five Nevada votes and four California votes. It is a tremendous challenge to get those four California votes.

The last thing I would like to share with you is the concern that Douglas County has on the issue of water. Douglas County and its citizens spent over 50 years in litigation over water rights, which resulted in the Alpine Decree. We take that decree very seriously. It is important to us. We are working to ensure that

the citizens of Douglas County have continued access to this land of green pastures and open space. A conservation easement needs to be maintained on the land with the water rights secured.

Assemblywoman Mastroluca:

Can you please explain a little more about the Alpine Decree?

Assemblyman Settlemeyer:

The process that led to the Alpine Decree was started by a group of farmers who got into a water fight with miners about how water should be utilized further down the system. That lawsuit lasted 58 years, but during that time, things changed. Just as we have seen Nevada change from reliance on gaming, there used to be a reliance on mining. All of a sudden, the miners did not need the water anymore. However, the counties down further on, for municipal reasons, decided they wanted a stake in it. What started as one lawsuit ended as another. It went through four generations of lawyers. That is it in a nutshell. After 58 years, the last thing anybody in their right mind wants to do, including the court, is tamper with it. Another reality is that we do not have the right to tamper with it.

Chair Kirkpatrick:

I have some questions. I know there are some seniors out there on fixed incomes, but during my first session when we discussed property tax, I was amazed when someone came before me and said, "My house is appraised at \$16 million. Can you please help me out?" I thought, \$16 million—I do not know how I would ever make that kind of money, and I do not know what it would look like on paper. Granted, at Lake Tahoe, there are some seniors on fixed incomes. When the assessment occurred, did residents try to get a reduction in their taxes? Did it affect your budget?

T. Michael Brown:

The legal issues were situated in the Incline Village area. Douglas County was not a part of that discussion. We manage our assessment practices differently. We have a different appraisal process. We do appraise every year now. In past years, we broke our county up into five separate areas and appraised each one every five years, but now it is done every year.

Chair Kirkpatrick:

Are you seeing any loss of revenue? For example, in Las Vegas, one of the hotels said their property was worth a lot less, so they got a \$5 million break. Are you seeing any of that type of activity? There is quite a range of home values in the same neighborhoods. Are you seeing some owners of the

higher-end homes that lost property value request a reduction on their taxes? How would that affect your budget?

T. Michael Brown:

Yes, we have seen that. For example, at Lake Tahoe for the past eight years, casino owners have appealed their property taxes to have them based on income. When Nancy mentioned earlier the decline in gaming, she was referring to this situation. The casino owners have appealed and have succeeded in obtaining a tax reduction in many cases. Overall, we have seen a decline in both lake and valley property assessments. I spoke with the County Assessor, who said they have 300 appeals on file, which is about 20 times the usual total number.

We are seeing foreclosures in our area. Our economy is fragile. For the first time in our county's recorded history we had no permits issued in the month of November. Typically, we have between 500 and 600 per year during our normal trend. There has been a decline in values and we are concerned about that. As a result of Assembly Bill No. 489 of the 73rd Session, there has been some growth since 2004-2005 until now that created a so-called buffer, as the assessed taxes were raised by only 3 percent at that time. There are people now falling under that 3 percent cap, and we are budgeting accordingly.

I was going to mention that there are portions of this presentation I would like to touch on briefly because they address our financial state.

Chair Kirkpatrick:

That is important, so make sure you allow yourself enough time.

T. Michael Brown:

I want to start on page 13 of the handout ([Exhibit D](#)), which touches on the issue of abatement. The figure at the top of the page illustrates the percentage of total tax that has been abated as a result of A.B. No. 489. About 38 percent of the property taxes have been abated for our residents. When you look at that, as an important part for Douglas County as an organization, we had 27 cents left on the books when A.B. No. 489 was passed. This has been good for the taxpayers by relieving them of the high taxes paid. It has been very challenging from all local governments' perspective with regard to not being a stable source of revenue.

We have seen a 13 percent decline in gas taxes. Looking back the last 20 years, our gas taxes have been flat. We have not built a new road in Douglas County in more than 20 years, and yet we have nearly double the population we had 20 years ago. We have had a growing reliance on sales tax. We approved

a local sales tax to provide a buffer to prevent what happened in 1997 with the passage of Assembly Bill No. 616 of the 69th Session, where there was a shifting of our room tax monies to promotional efforts. That was 1/4 cent to offset the decline in that area. Unfortunately, both sales tax and room tax are declining, which has a major impact on our room-tax-funded services like parks, recreation, libraries, and seniors. There has been a 24 percent decrease in our taxable sales in the last three to four years. We are down 21 percent from last November until now, and we are down 11 percent total for Douglas County.

On page 15 of your handout, the decline in taxes can be seen in Douglas County. Room tax has dropped, as it is split for promotional increases. Gaming revenues are down by 34 percent. The largest—building-related revenue, consisting of permits and real property transfer tax, which is on page 16—is down by almost 50 percent in the last ten years. This has resulted in a major impact to Douglas County.

We have done numerous things to address the budget situation starting about three years ago. We began to hold positions vacant and implemented a 60-day waiting period for any critical positions. We have kept open about 50 positions, which is 10 percent of our workforce. We have been very strict in adhering to our financial policies, making sure that every one of our budgets is balanced. We have implemented performance audits internally in order to make sure that we are operating as efficiently as possible. We are working on technology and working with the GIDs on consolidation of services.

Last year, our general fund increased only 1.2 percent in total wages and benefits despite the fact that there have been increases in worker's compensation. The Public Employees' Retirement System (PERS) rate will increase for the new fiscal year. Beginning July 1, 2009, public safety employees will receive a pay increase. Their percentage of salaries will rise from 33.5 to 37 percent, which is significant. General employees' percentage of salaries will rise from 20.5 to 21 percent. This is an increase in benefits. For example, when a new deputy is hired, the ratio of benefits to salary is almost 1:1. This is to give you some indication of the pressure that medical, PERS, and benefits have placed on us. We have lost 60 people who had ten or more years of experience. Nearly half of them left because of the benefits system. That amounts to \$680,000 that Douglas County pays as their contribution toward retiree health insurance. Personnel costs are significant.

As an organization and service industry, if you are raising fixed costs and have very little flexibility and diversity in your revenue, it is a bad combination. I think the state is experiencing that as much as other local governments. I

recommend taking a strong look at what benefits public employees get and consider putting some cost containment on them.

Chair Kirkpatrick:

We will expect you to be at the table when we have that discussion.

Assemblyman Goedhart:

Regarding the casino property tax abatements, when they use an income-based approach to determine the taxes, rather than what the property is worth, is that something they have to argue for every year? Or is there a period of years to which that rate is applicable?

T. Michael Brown:

They have to appear before the Board of Equalization every year.

Assemblyman Goedhart:

I see that it says the ad valorem tax within the county ranges from a low of \$269 to \$362, so there is some room there. In my district we are at the cap. Is that rate set by you? Who sets that?

T. Michael Brown:

As mentioned earlier, we have the second-largest number of districts in our county. We have 36 total districts. Most districts and all of the GIDs set their own rates. The Board of County Commissioners has jurisdiction over the unincorporated towns and property tax rate. General Improvement Districts have limited jurisdiction.

Assemblyman Goedhart:

On page 9 ([Exhibit D](#)), it says prior to Fiscal Year 2006, the county had the first- or second-lowest overlapping tax rate in the state. I am not sure what that is.

T. Michael Brown:

The Department of Taxation's red book lists what the average overlapping tax rate is for all the counties. What that represents is an average of what the taxpayer paid. Depending on where you live, you pay a tax ranging from the low to the high. As I mentioned earlier, Douglas County had 27 cents that we had not taxed. So we had been in the lower statewide percentile of property tax assessment within our community. As a result of A.B. No. 489, most counties and the GIDs within them raised their rates because they get a proportionately larger share of the limited amount of revenue available. At this point, I think we are probably still third in terms of average overlapping rate, but we have limited ability as a county to assess the tax because we cannot do it if we are

anywhere near the cap. There is only a limited amount of flexibility, and that is set by the Department of Taxation.

Assemblyman Settelmeyer:

One of the things I wanted to point out, which is a little bit unique to Douglas County's casino industry, is that only half the casinos at the lake actually own their own property, which for Clark County would be very unusual. Who would build such a structure and not own it? Unfortunately, that is due to an agriculturist that was dumb enough to buy it, way back when, at a dollar an acre, and smart enough not to sell it later.

Chair Kirkpatrick:

Your population is changing based on a declining school population and a growing senior population. Would you still collect the dollars from property tax or your redevelopment authority that should go to education? Does that money specifically have to stay there, or could you shift it to other services that are needed?

T. Michael Brown:

The funding source for education is separate for counties and schools. Counties have full discretion over general fund money. If they wanted to make a contribution to the school district, I suppose they could do that. I suspect that would never happen because of the critical services we have to provide within our general fund, most of which are mandated. They are a completely separate funding stream and have a formula for giving to the school districts. As far as the priorities that the Board has over its expenditures, it does have the ability to give additional money, or the limited amount of general fund money, toward other areas, which we are already doing. As of this last year, we are already 100 percent subsidizing the senior services program. It has its own fund, but it has really been subsidized by both room tax and by general property tax dollars.

Chair Kirkpatrick:

In Germany, they consolidate services. A lot of senior centers are adjacent to the schools because they say that it actually keeps the minds of seniors young by working together with younger ones. In Clark County, the way schools are built, they are perfectly set up to be used someday for other needs, such as nursing facilities. I am wondering if there is a way to create a partnership between the schools and seniors so that facilities can be shared. I understand that most of the property tax went to the education budget and very little went toward the rest of the pie. I was just wondering if there is a partnership we can create so the entire county would benefit.

T. Michael Brown:

One of the initiatives that went before the voters was a community center, a multigenerational facility. The intent was to bring the two groups together. Right now, we have a group that combines the Boys and Girls Club, a senior advisory committee, the Sheriff's Department, Juvenile Probation, and me. We get together and talk about the desire to have those types of facilities in our community. That particular facility was voted down, and at this point it is very challenging to think about the construction and operation of such a facility.

Nancy McDermid:

While you may be building schools in Clark County, we are actually closing schools. Our school population is declining. They closed Kingsbury Middle School up at Lake Tahoe and combined it with the elementary and high school. It is a challenge for the school district and for the county.

Chair Kirkpatrick:

I guess that is my point. Rather than close a school and leave it vacant, it could be used for a partnership for other things. I understand the difference between northern and southern Nevada, but I always try to look at the whole state.

Assemblywoman Pierce:

Why is your school population declining? Is it just a reflection of the housing market, or is it something greater?

Nancy McDermid:

One of the biggest challenges, particularly in Lake Tahoe, is the decline in the community's population due to second-home owners, or third- or- fourth- or- fifth- home owners. We have seen a huge loss of year-round residents, which impacts the school system at the lake. In the rest of Douglas County, the reason for the decline in schools could be a variety of things.

T. Michael Brown:

It is a combination of the inability to find employment and attainable housing. Those are the two main reasons for the decline in school population. Other nearby counties are growing due to the influx of young families seeking more affordable housing. Although housing is now more affordable because of the economic climate, Douglas County does not have enough jobs within the community to support young families.

Assemblywoman Spiegel:

When speaking earlier, you said California had a negative impact on the ability for economic development. I was wondering if you could expand on that a little bit.

Nancy McDermid:

When a project in the Tahoe Basin comes forward, there are many special interest groups who battle. The mind-set of California versus Nevada is quite different when it comes to obtaining environmental improvements in the basin. Nevada believes partnering with the private sector is the way to gain, provided that you can incentivize them to put their capital in Tahoe, because the cost for getting the environmental improvements is staggering.

For example, a commercial property owner in Douglas County owns property that has 97 percent impervious coverage. Part of that are 32 trailer units that are only eight feet wide. The Tahoe Regional Planning Agency wants him to exercise best management practices, which would cost him over \$300,000, on property that has no economic viability for the next 40 years. The way the codes are written, it does not make sense for him to put more capital in to recreate or redesign anything under the existing codes. His ability to recoup the cost of those best management practices is limited at best.

When we try to do projects up there that get the environmental gain, we face challenges from the environmental community and have problems. For instance, we passed a shore zone ordinance, and it is now involved in a lawsuit. The Sandy Beach project in North Lake Tahoe is also involved in a lawsuit. When we try to do things, we face real obstacles.

Assemblywoman Pierce:

In 1968, the American people decided that Lake Tahoe was a location of such extraordinary beauty that the people need to have a say about what happens to the Lake Tahoe area. The TRPA compact was set up to maintain and increase the beauty and clarity of Lake Tahoe.

**Edwin D. James, General Manager, Carson Water Subconservancy District,
Carson City, Nevada:**

On my right is Robin Williamson, who is a director on our board and also a Carson City Supervisor. On my left is Michael Olson, a board member and a Douglas County Commissioner, and Greg Lynn, who is also on our board.

I will give you a brief overview with a presentation ([Exhibit E](#) and [Exhibit F](#)), and Robin will have a few comments at the end of the presentation.

The subconservancy district was established in 1959, and at that time the purpose of the district was much different than it is today. It was established to work on negotiating the payback for a dam the federal government was proposing to build in the upper Carson Watershed. It was part of a larger program called the Washoe Project that also looked at several projects on the

Truckee River. We worked and negotiated on this project because the payback was a necessary part of the federal program. In the 1980s, the federal government abandoned the dam concept for several reasons.

In 1989, the Legislature realized there was a shortage of water on the Carson River and that some agency needed to be working cooperatively up and down the entire watershed to ensure the water resources were being met. At this time, the Legislature changed the purpose of the subconservancy district, added Carson City, and began looking at water resources in the upper watershed.

In 1997, we had a major flood which impacted a lot of the areas. After that, a group of people got together and decided that issues such as water quality, flooding, and water supply had to be dealt with on an integrated basis. At that point, they asked the subconservancy district to take on the leadership role.

In 1959, Douglas and Lyon Counties were members. In 1989, Carson City became a member, and in 1999 Churchill County became a member as well. In 2001, through a joint power agreement, Alpine County, California, became a member. We are a bistate, multicounty agency dealing with all the issues on the watershed. The Legislature created the subconservancy, realizing that this organization had to be used as a critical resource.

There are 14 members on the board of the subconservancy. Most of them are county commissioners and agricultural representatives. We have two full-time staff and two part-time staff. We work with a lot of other entities to coordinate efforts.

I want to briefly go over the watershed map. It is important to understand what areas are included in the watershed. Lake Tahoe is not a part of the watershed. Lake Tahoe, in the top six feet of storage, stores more than two times our annual flow in the Carson River. We have no major upstream storage on the Carson River. Our major storage is two-thirds down the watershed in Lahontan Reservoir. Anything above Lahontan Reservoir depends upon Mother Nature for precipitation.

We experienced a flood in January and a drought in July. We do not have the flexibility to release water up and down the watershed, so we have to really utilize the resources for multiple purposes. We are also dealing with a lot of population growth.

We are not an agricultural agency, not a municipality, and not an environmental group. We represent all the water needs of the watershed and we try to balance the needs of all entities involved. We own some water rights, and we

release that water at certain times to enhance the flow in the Carson River. Carson City can then actually pump that water for municipal and industrial use.

The entire river is fully appropriated. Even during flood stage, it is appropriated. Extra water, if it comes down, goes into Stillwater Reservoir, which is in Churchill County. So, there is no water to be allocated. Any new needs have to be met by a current source.

Ninety-five percent of the water was originally established for agricultural use. As growth continues, residents are going to the agricultural users to purchase their waters to bring into a municipal water system. The problem is, our river is going dry. All the groundwater basins are fully used and in some places over-appropriated.

Most of our water quality impacts occur naturally. We do not meet a lot of standards with this river water because of what is occurring in the system. Phosphorous and other minerals and metals enter the water from surrounding soils due to erosion. Recent impacts on the river include arsenic and uranium. New standards have been set, causing Carson City to lose several wells due to excess uranium in the water. The wells have always been there, the water quality has been the same, but the standards have changed, and because of that, the wells cannot be used any longer.

We offer many programs through our organization. We have a lot of grants for entities that do not have a lot of resources, so we manage their grants for them while they do the fieldwork. For our integrated water plan, we have community outreach, education, and river restoration projects. A lot of damage has been done to this water system, and we are trying to correct it.

We had the Army Corps of Engineers come in after a flood in the 1960s, and they decided to take care of the problems by straightening the river. By doing so, they accelerated the water through the system, causing more erosion and negative impact on the system downstream.

The Carson Water Subconservancy District is a 208 planning agency, which means that when there is a clean water act, we are responsible for dealing with water quality in the Carson River. We are one of three 208 agencies in Nevada.

There are 11 major water purveyors in the Carson River Watershed. They all have their own water rights and their own water systems. In the past, they were isolated; now we realize they have to work together. Cooperation is critical. We actually now have pipelines tying entities together so we can move

water back and forth during emergencies and fire flows. We are helping to promote these efforts throughout the entire watershed.

The Carson River Coalition, the district's steering committee, deals with all water issues. We work with everyone to ensure that we get input from all entities, including federal, state, and private individuals. We coordinate that effort to ensure we have a bigger picture to look at when we begin our projects.

We have about \$10 million in Carson River Corridor funding for the Q1 project, based on the Question 1 State Bond Act, approved by voters in 2002, and we help facilitate those programs.

We work with many different entities. We are involved in grants administration, and we also provide funding for the United States Geological Survey (USGS). We cooperate with all those involved in order to stretch our dollars to benefit the watershed.

Flooding is a major issue. The 1997 flood wiped out a lot of area. With no upstream storage, we have to be smart about what we do with our water. In 2004 we had a conference with a lot of the players and asked ourselves several questions. Do we want to do what a lot of other communities have done, which is to channelize the river and just use it for transport, or do we want to keep the natural functions of our system? The community overwhelmingly said they want to keep the natural functions of our system. We are now trying to be proactive.

If you look at what they are doing in other areas and on the Truckee River, the way they handle the flood waters is to move them through. The Truckee River is trying to go back to what we have today. They are going to spend a billion dollars fixing the flood issue. We have flood plains today, and if we can keep them open, we can save a lot of money. The fields of the James Settelmeyer ranch are not only beautiful to look at, but they are our storage during floods. If there is another flood, we will have to mitigate everyone who lives there, and the only way to do that is to channelize the river. We would lose habitat, open area, and everything else that lives there. It is important to make sure that when a river floods, it can flood out in the fields, and when it is done, it goes back into the river. It does not need to have permanent protection.

This plan was developed as a regional plan. It was adopted by all five counties. We are not aware of anywhere else in the country that has a flood plan that works on a flood plain method. We are unique in that respect. Some of the programs we will be activating in 2009 include the development of a comprehensive regional management plan. Again, growth will continue, but we

need to know how we are going to be able to move water. To meet future growth, we need to stretch the water we have. We have a flood plan and now have to start its implementation. We have some water conservation pilot projects that affect northern Nevada. We need to make sure to find the projects that meet the needs of our communities and also the lifestyle that residents have come to enjoy. The pilot projects planned will enhance the watershed and reduce peaking demands for water.

We received a grant to address storm water issues with best management practices.

Education is critical. It is important that people know and understand the importance of this watershed.

Robin Williamson, Supervisor, Carson City, Nevada; Director, Carson Water Subconservancy District, Carson City, Nevada:

I want to clarify that the Carson Water Subconservancy District is not a regulatory agency. We work and cooperate with Carson City. Although we may compete in other issues, we certainly are cooperative and support this agency.

Assemblyman Goedhart:

Mr. James had mentioned converting agricultural river water rights to a municipal use and the challenge that could present in a dry year, when the flow was low and there was no upstream capacity to provide a buffer. I think the Southern Nevada Water Authority has entered into a cooperative agreement with Arizona, where they take Colorado River water and inject it through a recharge well into the aquifer. That way, there is no evapotranspiration, and you can access the water when needed. Have you thought about doing something like that?

Edwin James:

Yes, we already do that in several places. We do a lot of underground storage since we have limited surface water storage. We are working on more of those programs.

Assemblyman Settlemeyer:

One of the things I wanted to point out is that the Carson Water Subconservancy has also been very helpful trying to battle the federal government. The federal government came forward in Douglas County and created a new flood plain area with no scientific basis to it at all. So far, the county has spent approximately \$200,000 trying to battle that and to show that the science is no good. So the Federal Emergency Management Agency

(FEMA) said "So what is your point? We are right." It does not matter what data you have to the contrary. The agency examined one of the small creeks having potential to put flow water into Carson Valley and said its capacity was 20 times larger than it really was. That type of error affects all the property owners and how the municipalities in the county can do things.

Edwin James:

We are dealing with a lot of entities. Many regulations originate in the East and are inappropriate for the West. We have a lot of communities to manage, and we have to make sure we work cooperatively with them. Our flood management plan identifies what we need to do to be proactive. The mapping that the federal government executed is inaccurate, but it is the best they have. We know we can do better. It is absurd to say that land that has not experienced a flood in more than 150 years is a flood plain. We want to avoid that type of scenario. There are other places flooding that we need to protect. We need to put the limited resources available into the right spots.

Chair Kirkpatrick:

Although we may be from Las Vegas, we are very sympathetic to the water issues in the north. As southern Nevadans, we have been very helpful in ensuring that northern Nevadans can maintain their lifestyles. I think that it is important to keep communication open and going both ways. I see that you receive a little bit of property tax. Who pays to run this office? What keeps you alive?

Edwin James:

Most of our funding comes from the property tax. We do get matching grants. We will see a slight reduction of property tax money. Most of our money goes into projects. We have such a small staff that our overhead is very minimal. We have a lot of entities that come to us to request funding for river projects. We put more than \$60,000 into destroying noxious weeds, which is a huge issue in the watershed. We must retain control over the weeds, or we could lose a lot of habitat.

Chair Kirkpatrick:

Nevada loses out on a lot of matching grants because we never have the initial money to match anything. If property values are declining and property taxes are dropping, is there a way to ensure the good work you do keeps going forward? Do you have interlocal agreements? Do the other counties or board members step forward to fill in the gaps? It eventually becomes a quality of life issue that affects everyone.

Edwin James:

We work very cooperatively with all the counties. Not every county is hurting for funds, so we try to stretch the dollars as far as we can. We do a lot of in-kind matching with some of the federal grants. With all the programs we do with other entities, and the seed money we get, we probably get seven- to tenfold returns on those. Almost every project we do requires some kind of match. We are doing a study with the USGS on groundwater modeling, which is being funded in part by the Carson Water Subconservancy District and Douglas County. The USGS is picking up 45 percent of the cost. Cooperative efforts are very important in stretching those dollars. We realize, for the next couple of years, we are going to have to be smarter and really look at the issues.

Chair Kirkpatrick:

Thank you for coming. I am sure we will see you again, as we have some water issues this session. At this time I would like to invite Lyon County up to speak.

Phyllis Hunewill, Chair, Lyon County Board of Commissioners, Yerington, Nevada:

With me on my left is Dennis Stark, our Lyon County Manager, and on my right, Josh Foli, our Lyon County Comptroller.

I am going to start our presentation with a very brief introduction to Lyon County. [Read from prepared text ([Exhibit G](#)) and referred to a map of Lyon County and the surrounding counties ([Exhibit H](#)).] With the drop in the sales tax, the projected figures did not materialize, and the plans for the jail project have been put on hold.

Dennis W. Stark, Manager, County Manager, Lyon County, Yerington, Nevada:

[Read from prepared text ([Exhibit I](#))]. This is an interesting and difficult time for the State of Nevada and Lyon County. My knowledge of Nevada was limited when I moved here a year and a half ago. Two years ago, the only thing I knew about Nevada was Las Vegas. After numerous trips to Nevada and Lyon County, I fell in love with Lyon County. It has a rural ambience and a quality of life that is desirable. Life in Lyon County is diverse and provides ample opportunity for recreational activities.

[Continued reading about the history of Lyon County from [Exhibit I](#).] We have a number of different areas that comprise the county. It is spread out and includes farmland, urban areas, industrial areas, and ample opportunities for recreation. We are one of the fastest-growing counties in the nation. I have included a graph in the packet to show the rise in population over the years.

I am going to move on to the public safety portion of the presentation. [Continued reading from [Exhibit I](#).] The public expects a certain degree of response and receptiveness from the public safety department. There are only 0.875 patrol deputies per 1000 population in Lyon County. The national average is 2.5 deputies per 1000. We are well below standards in other areas of the Sheriff's Department. Their activity has increased as the economy has swung downward and it presents a substantial burden on our Sheriff's Department.

We have a definite need for other health and safety issues and improvements in Lyon County. We need a new jail and an expanded juvenile detention facility. We also need an additional bridge for public access in the Dayton area. We face a challenging economic outlook in the near future and for the long term. We need to look for additional revenue sources and keep expenditures at a minimum.

We have had a number of concerns about our mental health facilities and the possible closures of those.

Another thing we are concerned about is resources that might not be available at the state or federal level for emergency management programs. We had a recent flood in Fernley that tapped the resources at the county level quite significantly. We are cognizant of the fact that if federal or state funds go away, we may have to assume more of the burden if emergencies occur.

We have a high percentage of voters in Lyon County who are very active in the community and the government. We enjoy a high quality of life, and everyone is interested in working for the community. We rely on a certain number of volunteers to make our services more available to others.

We are certainly a transparent government. We try to work with the people to keep local control and to solve our local problems. We rely on regional cooperation in the areas of water and use of resources and other programs to make life better for our citizens. We want to continue to work with the Legislature on the economic problems that we have. Thank you for the opportunity.

Chair Kirkpatrick:

No, thank you. We like to bring everybody here so that those who live in the south get an idea of what the rest of the state does.

Assemblyman Bobzien:

I have a question for Ms. Hunewill. The big news story last year was, of course, the Lyon County Lands Bill. While I appreciate the remarks regarding the downturn in the economy and the challenges that the county is facing, it struck me, as an observer, that the bill had some opportunities for economic development. Someone shook his head no. It seems that if there were, there are things the county could have gotten out of the process. In the new Congress, I would think that your position would be even more tenuous trying to deal with the county lands bill. Do you have specific things that you can bring to a process in the future for economic development? What would you achieve as a result of a bipartisan lands bill? Would you even consider the possibilities?

Phyllis Hunewill:

If you are familiar with the area being proposed, originally it was a very small area. It was in an area called Bald Mountain, which is part of the Sweetwater Mountains. We spoke about the proposal with the grazers, who have grazing rights on those lands. There is also a lot of mining activity in those mountains.

Then, suddenly, the whole area was expanded to include a very large area of southern Lyon County. As you can see on your map ([Exhibit H](#)), from Yerington southward, it is primarily U.S. Forest Service land. That was the location of the proposed acreage. We did not feel that there was any economic benefit to the proposal, and we did not want it. It would have closed down acres and acres of public land. The issue caused an uprising in our community. In fact, Assemblyman Settelmeyer came to a meeting that we had in a gymnasium in Smith Valley where I live. The general public felt that this was not a good proposal. There are generations of ranchers who use that whole area for grazing their cattle and sheep. In the past, they have also had to work with wilderness areas in the Bridgeport Valley. They know what the problems are and how to take care of the water supplies.

Assemblyman Bobzien:

I understand the disagreement with the proposal, but why not submit your own proposal to counteract theirs?

Chair Kirkpatrick:

I want to clarify for the Government Affairs Committee, especially the new members, that this is a federal issue, not a state issue. Mr. Bobzien, you can go ahead, but, because some people here do not understand what we are talking about, we need to be very clear what our role is at the state level as well as the federal level.

Assemblyman Bobzien:

I brought it up as a potential state issue because there was some seeking of relief from the state in this effort. I wanted to get a report from the state level what the county did through that process.

Phyllis Hunewill:

Thank you. Did you have something to add, Assemblyman Settlemeyer?

Chair Kirkpatrick:

Mr. Settlemeyer, if you want to add something, that is fine, but this morning we have mixed federal and state issues, and in doing so, I do not think we are being very productive for our state. At this point, we need to worry about Nevada as a state and what we can do on the Government Affairs Committee to move forward.

Assemblyman Settlemeyer:

I appreciate that, and I will try to offer a different viewpoint. I think it is important for the Government Affairs Committee to be aware of the actions we take as state representatives, because there are repercussions to the use of renewable energy, especially by the federal government. Some of the things the state did in the last special session, as well as things the federal government has done, have resulted in actually cutting off renewable energy and the ability to institute its use.

Chair Kirkpatrick:

I am going to excuse you, Ms. Hunewill. Thank you for coming. I will let the Committee know what direction the meetings will take for the remainder of the week. We look forward to working with you.

For the Committee's information, I am going to let you all know that renewable energy is a huge issue. We have a representative from the Division of Economic Development coming in on Friday, and he will be at our disposal for two hours to determine what kinds of things that we can do in Government Affairs to help move all of this forward. I understand the federal government does not share a lot of things with us, and I know we have to be mindful of that, but I think that we need to work within the agency that can help us in the best possible way. Everyone should have plenty of knowledge of the issues by now. Mr. Skaggs from Economic Development will be here on Friday, and we can ask him all the questions we want about how to work with the federal government on the state level to benefit all Nevadans.

With that I would like to invite the City of Fernley up to speak. Good morning. I would like to complement you on the newsletter you send out every week.

I read it, and I think it is very important and very well done. Other cities should do this as well.

Todd Cutler, Mayor, City of Fernley, Nevada:

We have provided you with a couple of pages describing our community ([Exhibit J](#)). Our goal in attending this morning's meeting is to familiarize you with the City of Fernley. I was born in Las Vegas, but I was raised in Douglas County, at Lake Tahoe. My children were born in Las Vegas in the 1990s. I was employed at that time by the Clark County School District. I am bringing this up because I lived in Las Vegas and experienced the traffic, growth, and mass changes that the Clark County area faced. The challenges are similar to what we are facing in the City of Fernley today. Of course, it is on a much smaller scale in comparison.

I moved to Fernley in 1999. The city population was approximately 5,000 people. I remember driving down a beautiful road called Farm District Road. It was surrounded by trees and farms and a lovely community. My wife and I were looking for the golf course, but we did not find it that day. My wife did not want to relocate to such a small town. Ultimately, however, we did move to the golf course community.

I chose to run for mayor because we were facing several community issues and much change. We are truly an old farming and ranching community that is rich in tradition. A few years ago, we were faced with 18 percent growth, which is high. Lyon County did a nice job representing us, because most of the statistics are based on the City of Fernley. When I became Mayor, I went to a meet-and-greet meeting in Carson City. Somebody looked at my name tag and said, "Fernley, the Mayor of Fernley, you ought to have suspenders and a John Deere hat." I replied, "You do not know and have not seen Fernley lately." We have a bustling, developing community. We are facing foreclosures and the same negative things happening in other communities due to the economic situation.

We have an area called our industrial park, developed by Wade Development. It is the area we want to develop in the future to help us improve our economy. Thanks to the state and federal government, we have begun breaking ground on Exit 50 on Interstate 80. We have Exit 46, Exit 48 and now Exit 50, which will continue to grow our industrial area. In this area, we have Amazon.com, now celebrating their tenth year. We also have other companies that have opened in recent years. That is what our community is all about. We have I-80, U.S. 95A, U.S. 50A, and the railroad, which provides us an opportunity to be the hub of western Nevada. When people travel out to Fernley, 30 miles east of Sparks, it is their method to go south to Vegas, east to Fallon toward Ely, or north toward Elko.

Our community faces so many issues as we grow. Water is our highest of priorities. We are in the process of completing an \$85 million water treatment plant to remove the arsenic from our community's water supply. This was a heavy hit considering our financial situation. Of course, you are probably aware of the recent flood and the consequences the City of Fernley must bear.

We are in a tough situation, but we see a bright future. We see ourselves working to promote and develop our community, creating jobs. We hope that you can learn about the City of Fernley, who we are and where we are going, and how important Fernley is to the State of Nevada.

Greg Evangelatos, Interim City Manager, City of Fernley, Nevada:

The Mayor has touched on key themes we have with the community. We are reevaluating our costs and expenditures because we are facing the same decline in revenues as the rest of the country. In our general fund budget, between now and the end of the year, we will have to make a 12 percent cut, which is substantial, cutting to the bone.

We are simultaneously attempting to streamline our regulatory review process in terms of the permitting process, stimulating economic development by encouraging people to come and invest in Fernley. We are using a benchmark of getting people in and out of the system within a month's time. We believe we are going to carry out the vision of the Mayor and council.

We also recognize that you are in tough times, trying to guide our state. Please consider, while looking at revenue sources and the tax structure, that you are making decisions that are going to affect us in the next two budget cycles. We respect that the cities have a need to provide services. We recognize that next year, this next budget cycle, will be more challenging than this one.

As the Mayor said, Fernley is a young city full of hope. We were incorporated in 2001. We can strive to be something like Henderson, but the issue of stable water supply and infrastructure is critical. We have had an increase in foreclosures. We have concerns about the young families who came out to Fernley, invested in homes, and now find the value of the homes has gone down. Everyone in our state is affected. We are here to help you and to speak for the needs of this community. We will come back during the session with professional input at any level you need.

Chair Kirkpatrick:

When we talk about economic development, what kind of provisions do you have to ensure good results? Many times, the cities give away so much that they do not realize it is the county that suffers the consequences. They lose

the money for services that they still have to provide, and they have lost the income that might have come in. Every local government employee has tried to tell me that if the land was not developed, you would not receive anything anyway. I can prove that is false. I agree with economic development. We have all the resources in our state, so we just need to make sure that Nevadans benefit. I think streamlining the process would be wonderful. I would be curious to see how that works. What kind of incentives are you using?

Greg Evangelatos:

I have a history in Nevada for 31 years. I have worked for the City of Sparks and have been a consultant, and now I am back in government. Because the City of Fernley is so young, they have not yet had the opportunity to create a redevelopment agency. It is not giving away the farm in any sort of tax incentives via the STAR bonds. We are in a flat platform in terms of our start. We have used whatever state subsidies are available in terms of tax incentives. We are trying to focus on giving people clear, succinct answers from us so that they will invest in the community. The Mayor and I have met with two or three commercial industrial users that are bringing their business to Fernley. People are still coming to Nevada. We have to compress the review process and make the regulatory system respond to their needs. We also have to do that within the context of protecting the public's health, safety, and welfare. We try to keep our government function Spartan and very economical.

Chair Kirkpatrick:

We have 17 counties. Every one of them does some good and some bad. I am trying to pull all the good pieces together to set standards that business can rely on because we want them here, not in some other state. I want to make Nevada the leader. I am trying to figure out what works and what does not. You are the first person I have met to suggest streamlining, and it sounds promising. I think you are doing a good job.

Todd Cutler:

We compete with many locations. We recently competed with the Phoenix area, and we lost out. It was very disappointing. We looked at all of the possible reasons why we lost out. One reason is the opportunity to get the company in very quickly in order to get business going. The other is an educated job force. We want to make sure we have opportunities for education above and beyond the high school level.

Chair Kirkpatrick:

Please send me the list of reasons you lost out. I would find it most useful.

Assemblyman Goedhart:

I concur. Sometimes it is not about giving incentives to get these businesses to relocate. We have to be ready, willing, and prepared to do business. I have worked quite a bit in Nye County to bring in businesses. Most businesses come in and want to pay their fair share of taxes. They realize it is a two-way street. What hurts them is having a process that is so convoluted, we are just not prepared to say they can start building right away.

I think we have to do a better job in Nevada. We have been so focused on attracting new businesses, expanding gaming and tourism, and construction, we have failed to see what really attracts these industrial folks with manufacturing jobs. We need to diversify our economy for future needs.

Greg (Bum) Hess, Chair, Storey County Board of Commissioners, Virginia City, Nevada:

To my left is our County Manager, Pat Whitten. I have provided a brief summary of Storey County ([Exhibit K](#)). The county seat is Virginia City, which was the home of the world's richest gold and silver strike. Wells Fargo opened their first bank in Virginia City.

Storey County is surrounded by Lyon County, Washoe County, and Carson City. Our population is about 4,500. We are very rural in nature and have been for quite some time. The basis of our economic impact has always been tourism. The television series, *Bonanza*, really started that trend. Construction has also been part of the area's base income. That kept Storey County viable for many years.

In the mid-1980s, when Indian gaming became so popular, we began to see gaming in our city decline. We were always having trouble making budgets at the end of the year. About ten years ago, when I first got started as a commissioner, Assemblyman Joe Dini and Senator Joe Neal told me "stay off our radar screen and we will not bother you." That has always been Storey County's way of doing business.

Since then, tourism is down and construction is not doing very well either. We have partnered with a group called Tahoe-Reno Industrial, which is the nation's largest industrial park. The Tahoe-Reno Industrial Center is located at the north end of our county, between Fernley and Reno. It is really becoming a hub of distribution throughout the West. Wal-Mart has recently opened a super center there, which is a little over one million square feet. Other businesses, such as PetSmart, have also moved into the industrial complex. The industrial park is sustaining Virginia City at this time. We have always been a conservative county, even when times were tough.

Our schools are the backbone of our community. We always want to ensure that our schools are appropriately funded. We are very proud of our school district as it is always in the top 5 percent nationwide in SAT scores. In the last ten years, the district has scored seven times as the number one district in Nevada.

We are like any other county. We are certainly seeing some spiraling, but we are probably not as bleak as some other counties are at this time. We do have the industrial park, which has contributed a lot of taxes to the county. Virginia City has not grown a lot, but the outlying areas have expanded. People who live in these small communities work in either Reno or Carson City. We have the infrastructure but zero retail in those areas because it is very rural.

The Tahoe-Reno Industrial Park is one of the biggest things in northern Nevada at this time. It is a regional industrial park. It benefits Lyon, Pershing, Churchill, and Washoe Counties. It takes a lot of traffic out of Reno and distributes it over our area. People who work in industrial parks make very high wages compared to gaming. We give very little tax incentives to come into our park, but if they do meet a criteria of three things, then we look at giving them tax deferments and/or abatements. The three criteria are: they have to pay full health benefits, offer full insurance, and pay over \$18.22 per hour. If they do not meet the criteria, they receive no deferment. Again, we are not giving anything away.

Washoe County has not approved a power plant in the past 50 years. They needed power ten years ago, and we came to their aid. Since then, five power plants have been approved, supplying Washoe County's power needs 100 percent. Washoe County could not get a landfill approved, so we put one in our county, which was beneficial for us and got us through some hard times.

Building has completely stopped in Storey County. We still have a couple of 50,000 to 60,000 square-foot buildings we want to put up, but right now money is on hold. The only thing going on in the county is the developers, Roger Norman and Lance Gilman, who have about 3,000 men putting in new roads and infrastructure in the industrial park.

We are prepared for a bigger downturn and are monitoring that situation daily. We do go into union negotiations, and if necessary, we have the ability to renegotiate all of our contracts with the unions. We are one of the few counties that has a good working relationship with our unions. With that, I will be glad to answer any questions.

We do have one very large development in Storey County that has been approved to build 3,600 homes. Obviously, it is on hold now, but we are prepared to put in residential in the north end of our county, which complements the industrial park. Washoe County has about 56 million square feet of industrial space. The first phase of the industrial park, which is sold out, will have about 112 million square feet. So, it will double what Washoe County has. It is very big and it will benefit all of northern Nevada.

Assemblyman Bobzien:

I had my first opportunity to go out to the industrial park last week. It was very impressive. I understand you have a unique relationship with the developer in terms of how the infrastructure is being developed. Can you talk a little bit about that? Do you reimburse the developer for what is built? How does that square up with public works?

Greg (Bum) Hess:

We have a management service plan with the developer. Counties and cities often install a lot of the infrastructure to bring people into the city. At the time, we had ending fund balances that were generally between \$10,000 to \$20,000. The developer has since put about \$100 million into this industrial park. All we are obligated for are the roads that he puts in and the infrastructure on the bypass that has since been completed. We do have to pay him back for those amenities. Once we hit a threshold of about \$5 million that this development has actually brought into the county, above and beyond our normal expenses, 35 percent of the remaining money that comes in from that industrial park goes to pay him back. We will never be in a position where we cannot pay him back.

The developer can execute his plans cheaper than others because he can do things privately. He can do the work himself or he can hire others. There is neither red tape nor paperwork usually associated with county, state, and federal governments. The developer is able to streamline the construction of the roads. When we initially went out to bid on those roads, the bypass he put in was valued at \$57 million. He did it for a bit more than \$24 million. We do have to pay him back, but not until we get the promised monies coming in.

Assemblyman Bobzien:

So this project does not involve public works. He is doing it himself.

Greg (Bum) Hess:

Yes, he does the initial construction, and we maintain the roads as soon as the monies come in. For example, Wal-Mart currently pays about a million dollars per year, which is fantastic for the county.

Assemblyman Goedhart:

It sounds as if the business model there has been built around having a site prepared and ready to go, with access to your highway transportation. In Nevada we do not have an inventory tax, which probably helps you as well. I know that in the last session, there was talk of a weight-distance tax on trucking; how would that affect you?

Greg (Bum) Hess:

I cannot remember a lot about it, but I know it would have affected us because we came down here and fought against it. I cannot tell you exactly how that affected us. I was told by the developer that it had a big impact on us, but I really cannot tell you how or why.

Assemblyman Settlemeyer:

Are you saying that if the government would have constructed the road portion, it would have doubled the cost?

Greg (Bum) Hess:

Yes, at least doubled the cost.

Assemblyman Stewart:

It sounds like you people are really shrewd. I have been through your beautiful county several times, and I notice, with the exception of Virginia City, there are only very small neighboring communities. Have you ever given any thought to what Carson City did to consolidate governments?

Greg (Bum) Hess:

In a way we have. We have the Virginia City Highlands about four miles north of Virginia City, which is very rural with big houses. At the north end of the county, we have the Lockwood district, which is about 1,000 population. As far as consolidating, we just have one basic fire and safety and health protection service at this time. I will let our County Manager delve into it more deeply.

Pat Whitten, County Manager, Storey County, Virginia City, Nevada:

I think you raised an excellent question that people often miss. Virginia City is actually an unincorporated township with no government form or structure. The only real government form in the county is the county government itself. We also have our school district and two GIDs that operate outside the property tax cap, as they are fee-based. The consolidation is already done, sir.

Greg (Bum) Hess:

We have cooperation agreements with Lyon County, Carson City, and Douglas County for police and fire protection. If we need help from one of the other counties, they will cooperate with us. In turn, if they need us, we cooperate with them. After the emergency is addressed, damages are calculated. It has worked well in the ten years I have been with the commission.

Chair Kirkpatrick:

Last summer, I sent a letter to you asking for some more information on how the industrial park works and if there is any state-mandated information available. I will get you another letter today. I would like to give you the opportunity to complete the information.

Pat Whitten:

Absolutely, Madame Chair. I sat down early last week with Russell Guindon, Senior Deputy Fiscal Analyst for the Legislative Counsel Bureau. We talked about Leadership in Energy and Environmental Design (LEED) certifications and the impacts of those on us. We spoke in-depth about the developer agreement and our participation in some of the economic incentives that come through.

Greg (Bum) Hess:

Thank you for letting us speak today. We welcome you to come to Virginia City.

Chair Kirkpatrick:

Perfect. Thank you. I just want to reiterate, tomorrow we are hearing some bills. Please be on time. Amendments are due 24 hours in advance of the meeting. We will be hearing three bills. With that I am going to close the hearing until tomorrow at 8 a.m.

[Meeting adjourned at 10:24 a.m.]

RESPECTFULLY SUBMITTED:

Denise Sins
Committee Secretary

APPROVED BY:

Assemblywoman Marilyn K. Kirkpatrick, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Government Affairs

Date: February 4, 2009

Time of Meeting: 8 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Bob Spellberg, District Manager, Gardnerville Ranchos GID, Gardnerville, NV	Fast Facts
	D	T. Michael Brown, County Manager, Douglas County, Minden, NV; Nancy McDermid, Chair, Douglas County Board of Commissioners, Minden, NV	Key Points Presentation
	E	Edwin D. James, General Mgr., Carson Water Subconservancy District, Carson City, NV; Robin Williamson, Director, Carson Water Subconservancy District, Carson City, NV	Carson River Watershed Map
	F	Edwin D. James, General Mgr., Carson Water Subconservancy District, Carson City, NV; Robin Williamson, Director, Carson Water Subconservancy District, Carson City, NV	Power Point Presentation
	G	Phyllis Hunewill, Chair, Lyon County Board of Commissioners, Yerington, NV	Written Presentation
	H	Phyllis Hunewill, Chair, Lyon County Board of Commissioners, Yerington, NV	Map of Lyon County
	I	Dennis W. Stark, County Manager, Lyon County, NV	Written Presentation
	J	Todd Cutler, Mayor, City of Fernley, NV	Written Presentation
	K	Greg (Bum) Hess, Chair, Storey County Board of Commissioners, Virginia City, NV	Quick Facts