

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

**Seventy-Sixth Session
February 10, 2011**

The Committee on Government Affairs was called to order by Chair Marilyn K. Kirkpatrick at 8:03 a.m. on Thursday, February 10, 2011, 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/76th2011/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
Assemblywoman Irene Bustamante Adams, Vice Chair
Assemblyman Elliot T. Anderson
Assemblywoman Teresa Benitez-Thompson
Assemblyman John Ellison
Assemblywoman Lucy Flores
Assemblyman Ed A. Goedhart
Assemblyman Pete Livermore
Assemblyman Harvey J. Munford
Assemblywoman Dina Neal
Assemblywoman Peggy Pierce
Assemblyman Lynn D. Stewart
Assemblywoman Melissa Woodbury

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

None

STAFF MEMBERS PRESENT:

Susan Scholley, Committee Policy Analyst
Cyndie Carter, Committee Manager
Sheryl Burrows, Committee Secretary
Olivia Lloyd, Committee Assistant

OTHERS PRESENT:

Susan Holecheck, Mayor, City of Mesquite
Tim Hacker, City Manager, City of Mesquite
Terri Barber, Director, Intergovernmental Relations, City of Henderson
Mark T. Calhoun, City Manager, City of Henderson
Andy Hafen, Mayor, City of Henderson
Bob Crowell, Mayor, Carson City
Lawrence A. Werner, City Manager, Carson City
T. Michael Brown, County Manager, Douglas County
Nancy McDermid, Vice Chairman, Board of County Commissioners,
Douglas County
Greg "Bum" Hess, Vice Chairman, Storey County Commission
Pat Whitten, County Manager, Storey County Commission
LeRoy Goodman, Mayor, City of Fernley
Greg Evangelatos, City Manager, City of Fernley
Michael E. Fischer, Director, Department of Cultural Affairs
Daphne O. DeLeon, Administrator, Nevada State Library and Archives,
Department of Cultural Affairs
Peter D. Barton, Acting Administrator, Division of Museums and History,
Department of Cultural Affairs
Keith Wells, Administrator, Nevada State Motor Pool,
Department of Administration

Chair Kirkpatrick:

[Roll was called.] We have the City of Mesquite which is videoconferencing to us in southern Nevada. Thank you so much for driving up. We always look forward to hearing from you. We do have their presentation on Nevada Electronic Legislative Information System (NELIS) for those listening on the Internet. The committee does have their copy. We have Mr. Robenson here in Carson City.

Susan Holecheck, Mayor, City of Mesquite:

I am the Mayor of Mesquite. I will try to be brief but I do thank you for this opportunity. The City of Mesquite is a community of a little more than 21,000 people. We are located on Interstate 15. We are 90 miles from the

edge of North Las Vegas. We literally abut the Arizona border. As the southeastern gateway to Nevada and Clark County, statistics reveal that we have a daily traffic count of 19,000-23,000 vehicles. Mesquite was incorporated in 1984 as a general law city, guided by the *Nevada Revised Statutes* (NRS) Chapters 266 and 268. The city encompasses approximately 32 square miles within the Virgin River Valley.

The city maintains approximately 67 of 112 miles of surface streets, and a bike and pedestrian trail system that has completed 53.8 paved and natural surface miles, with future plans for an additional 80 miles to improve our open space connectivity. The city includes 15 planned neighborhoods, community and regional parks on 99.6 acres throughout the communities.

Because of our logistics from the center of our county, Mesquite has historically been cognizant of the need to be a full functioning, self-sufficient local government. The city maintains a police department of 55 employees including dispatch, patrol, corrections, animal control, and administration. We have a fire department consisting of 29 employees of whom 21 are paramedic certified.

Services afforded to our residents and enjoyed by neighboring residents, such as the township of Bunkerville, and those in the Arizona communities of Scenic, Little Field, and Beaver Dam, include our newly expanded nearly 6000-square-foot senior center. The kitchen at the senior center prepares meals, not only for dine-in, but also delivery of food to the homebound and our correctional inmates. The center also provides a social gathering place and coordinates recreational and cultural opportunities for our senior population.

The city has a 50,000-square-foot recreation center that boasts a full size outdoor pool, indoor pool, basketball and racquetball courts, weightlifting, and aerobic activities. The city supports a fine arts center, a community theater, and a historical museum. Our animal shelter provides spay, neutering, animal control, fostering, and adoption services. We have a mental health facility that also offers vocational rehabilitation training. [Left presentation [Exhibit C](#)]

Chair Kirkpatrick:

Mayor Holecheck, could you stop for a minute and discuss some of the challenges that the snowbirds who come to your community with the services that you have to provide. I think that folks do not necessarily know that at certain times of the year you may have a larger population.

Susan Holecheck:

What we historically see is that between 5,000-7,000 people depart between the end of April and the first of May and return in October. It does create a bit

of a problem for us as far as the peaks and valleys in services. We still have to maintain the services. We cannot really adjust for whether they are here or not. We also have to allow for tourism visitor volume, which ebbs and flows. For example, in the months of February and March, all of the hotel rooms are sold out in the city, which is a good thing. This fluctuation in population may also impact other businesses in town such as Smith's or Walmart.

Chair Kirkpatrick:

I have had the privilege of touring your lovely city on a Saturday. A lot of people may go past Mesquite and do not stop. Do any Committee members have any questions? I just wanted you to discuss the special challenges your city has.

Assemblyman Stewart:

Mesquite has grown considerably in the last 20 years or so. Is that growth continuing or has it slacked off? What are the plans for opening that one casino that was closed?

Susan Holecheck:

As you know, for a long time we were facing double-digit population growth. Then the recession hit. We are happy to say that we are one of two cities last year that still had a positive growth rate of 4.7 percent. Fortunately, our population continues to grow. The 21,000 figure that I gave you is actually our current State Demographer figure. We are, of course, still waiting for the census figures.

The Oasis casino is part of the Black Gaming, LLC which is in the reorganization process right now in bankruptcy court. They also own the Mesquite Star, which has basically been an overflow. I am not sure what they have decided. They have talked about demolishing the Oasis because it is about 25 years old. They may look at rehabilitating the Mesquite Star in its place.

Assemblywoman Benitez-Thompson:

I have had the pleasure of being in Mesquite in the hot summer months and have very much enjoyed it. I have enjoyed your city's hospitality. So this number of 21,000 residents, is that at your high peak, when the snowbirds are there?

Susan Holecheck:

Yes, that is our high.

Maybe we should just focus on the challenges. We do realize that we are all in the same boat. A boat whose holes we are attempting to plug as quickly and

as permanently as possible. The reality is that we are no different than anyone else. We are suffering from a decline in consolidated taxes. Property taxes are probably the biggest. It is also important to note that a lot of our monies were coming from land sales. With the current economy, that is not happening anymore. The City of Mesquite anticipates operating revenue decreases of \$2.75 million, which is primarily attributed to consolidated taxes, property taxes, licenses, permits, and investment interest decline. We have been careful with reserves. We have been careful with our budget. We, like many other cities, have not given salary increases for three years. We have asked departments to cut budgets by 30 percent. We have informed city employees of the need for furlough days. We also have a hiring freeze. We have eliminated 12 positions. One example of a challenge that we face is our flooding issues. In 2005 we had flooding and again in December of last year. The rainfall count was actually higher in 2010 than in 2005. The difference was that, after 2005, we knew that certain infrastructure changes were necessary. Had we not maintained higher reserves or found the necessity to go to the county for either funding or approval of those infrastructure changes, the flood of 2010 would have been catastrophic. We knew our budget. We knew what had to be done. And we did it. With the implementation of those infrastructure changes, the City of Mesquite to date has sustained \$177,000 in flood prevention efforts. We do stand ready to assist. We know that difficult decisions have been placed before you. We simply ask that you would consider issues that face evolving rural communities.

I will give a few more examples if there is time. Fire departments in the Las Vegas valley provide rescue response, but they do not transfer patients to hospitals or other facilities which is a primary responsibility for our paramedic-grade level first responders. Another example is that for almost four years we have been asking for a child protective services officer or possibly a combination of a child protective services officer with a social worker. Child safety issues have occurred which have taken the county two weeks to respond to. This places a burden on our hospital and our police department. Our challenges are like many other cities. We realize that our budget is mercurial and we monitor it constantly to protect us through these ebbs and flows. Do you have any other questions? I have tried to hone in on the challenges. I want to be responsive to what Madam Chair would like us to cover.

Assemblyman Anderson:

I had spoken to my colleague from District 20, Assemblyman Hardy, during that flooding. Would you give an overview of the permanent flood damages please?

Susan Holecheck:

We are still in the clean-up process. We are working with our federal agencies—the Bureau of Land Management (BLM), County Regional Flood Control District, and the U.S. Army Corp of Engineers (USACE)—to see what we can do in the future. We have some berm issues. We probably need to armor and anchor some places that are close to the Arizona/Nevada border. I am also working with our federal delegation and suggested the possibility of a tri-state compact. The river actually starts in Utah and ends up in Lake Mead in Nevada. We are hoping that, between the federal agencies and the federal delegation, we can get some assistance. We have been able to ascertain that we will be facing 11 inches of rainfall every five years. We have historically had 11 inches of rainfall in 1992, 1999, 2005, and 2010. It seems to very much be a reoccurring problem which was not realized until now. Did that answer your question?

Assemblyman Anderson:

Yes. Please just keep us advised as a Committee as to what is going on. I am always interested in that and want to look out for residents of the state that are getting flooded regularly.

Susan Holecheck:

We would be happy to do that. We put together a PowerPoint which shows the devastation that the river can do when she, I call her she, gets out of control. It was a wide swath.

Assemblyman Livermore:

I am looking at your statistics. Can you tell me, do you have a strong drain utility, and who pays for that infrastructure?

Susan Holecheck:

Yes we do and, if you do not mind, I will have our City Manager, Tim Hacker, walk you through that.

Tim Hacker, City Manager, City of Mesquite:

As far as that utility, it is part of the development process. Our developers will install the necessary storm drainage according to city standards and codes. A lot of it is surface drainage. We have very few underground facilities. We also have three main washes that run through the community. With our participation in Clark County Regional Flood Control District, we are just completing the last armoring of those washes through our central business district. Retention basins are in place so the washes are addressed very well. We hope to be able to do the same with the regional flooding.

Assemblyman Livermore:

Is most of that maintained with general fund monies?

Tim Hacker:

It is a combination. There are general funds applied to the maintenance, and through our association with the Clark County Regional Flood Control District we do receive annual funds to help maintain those basins and washes I mentioned.

Chair Kirkpatrick:

Are there any other questions? I just have one last question, and I apologize if I missed it as I stepped out for just a minute. Did you discuss the industrial park on the west side of the freeway?

Susan Holecheck:

No, I did not. That is our commerce and industrial park. We do have Do it Best. We have other companies that have gone out to that area. What is interesting though for a business and industrial park, we put in a roller skating rink for our youth out there.

Chair Kirkpatrick:

Do you have some renewable companies looking to come out there? Are all of those still prospects? I remember that fiber optics was really an issue. Did we address some of those issues with a broadband plan, or do we still need to get some more of that infrastructure out there for you?

Susan Holecheck:

We could probably use some more support. We do have a company that does most of that, Reliance Connects. We need streaming video capability. Our council member, Dave Bennett, has served on that broadband committee. We recently had a company that had interest in Mesquite and we were hoping to be able to lure them. But what we were told is that we did not have streaming video capability which precluded them from coming. When we talk about challenges, Mesquite does really have some anomalies. We do not have natural gas. We are an all electric community. A lot of manufacturing facilities want natural gas. We do not have the high technology like streaming video which is also an issue. The BLM, U.S. Fish and Wildlife Service (USFWS), or U.S. Army Corp of Engineers will require culverts, et cetera for development to deal with our washes. Our topography is also challenging. I could go on and on. We do have unusual challenges that other cities do not have.

We had a big project, Desert Falls, that we had hoped would help us with the technology issue. It was going to be a recreational facility. We sold about

800 acres. Unfortunately, with the funding and bank situation now, they felt that it was not an opportune time for a project they estimated to be over \$100 million.

Chair Kirkpatrick:

Does anyone else have any questions? We will go ahead and call up the City of Henderson.

Terri Barber, Director, Intergovernmental Relations, City of Henderson:

Included in the backup materials that you have received ([Exhibit D](#)), there is a sheet of city general facts. You will find a copy of our city charter, an overview of our city departments and organizational structure, unique challenges facing the city, and the positive aspects of the City of Henderson. We received word yesterday that the presentation on consolidation will be heard at another time. We will reserve our comments until that time.

Chair Kirkpatrick:

I apologize for that, but we ran out of time. We are going to try and schedule that in the next week or so.

Terri Barber:

I also understand that we will be videoconferenced. Is that correct?

Chair Kirkpatrick:

Correct.

Mark T. Calhoun, City Manager, City of Henderson:

I will start by discussing our government structure, which can be seen in the "City General Facts" section of our presentation ([Exhibit D](#)). Most of you probably know our history, so I am going to concentrate on the more salient points. We have a five-member council. Our mayor is, of course, elected at-large in both the primary and general elections. Although our council members must live in the ward in which they are running, they too are elected at-large in both the primary and the general elections. We have included three maps for your review ([Exhibit D](#)). One map has a breakdown of our wards, as well as the Assembly and Senate representatives in the city. As of January, our population estimate is 277,502 people. We are the largest full-service city in the state, providing all essential public services: water, waste water, police, fire, and emergency services. Our fiscal year 2011 general operating fund budget is \$216.6 million. We are recognized for our premier parks, trails, and master planned communities. We would like to point out that our recent community survey shows a 96 percent satisfaction rate in the quality of life that we provide and a very strong sense of community. We have also reduced the

number of employees and tried to maintain quality services over time, but our population has continued to grow. Specifically, in 2008 our population was 265,790 and today, again, it is 277,502. The city had 1,280 full-time nonpublic safety employees in fiscal year 2009. Today we have 1,060. This reflects a cut of 220 full-time nonpublic safety positions or 17 percent of our workforce over the last two years. The economic downturn has affected everyone. This reduction is what we needed to do to right-size our organization while maintaining quality services. With the number of reorganizations we have done internally, we have a dozen departments today, plus the city manager, city attorney, and the city clerk. Personnel reductions through attrition from retirement and position cuts have forced us to consolidate some of our divisions. Our backup document ([Exhibit D](#)) includes detailed information on our departments, their respective duties, and a copy of our organizational chart. You will also find our city "Quick Facts" sheet and our fiscal sustainability brochure that documents our response to the economic downturn.

Looking back in history, we became a city in 1953 when we incorporated as a general law city. Then in 1971, we were granted our city charter, which we have provided to you in our backup materials ([Exhibit D](#)). The purpose of the city charter, as you know, is to allow for distinctions among cities to meet the unique needs of our citizens. Most charters have broad commonalities. However, we want to point out the unique aspect of the *Henderson City Charter* that does not exist in any other. That is Article VIIA, which is a trust for furtherance of public functions. This was added to our charter in 1975 to specifically allow a trust to acquire, construct, and finance major public improvements, to promote community improvements, and to facilitate the location of new industries. This is done in the City of Henderson through the issuance of public improvement bonds. These bonds allow tax-exempt financing of certain improvements. In 1990, this purpose was expanded to include the financing of single developer assessment districts, through the issuance and administration of City of Henderson public improvement trust bonds. This is another provision of *Nevada Revised Statutes* (NRS) Chapter 271. In other words, this allows the city to work with a particular group to bring industry or other public beneficial projects to the city, giving them access to the municipal bond market in order for the costs to pencil out. A quick example of this would be about \$100 million of total infrastructure for our Green Valley South, Spirit Ranch, and Sunridge subdivisions. I would be happy to answer any questions.

Assemblyman Stewart:

For the record, I am one of the 97 percent that are satisfied with the quality of life in Henderson. Can you give me an update on the mining situation on the

southwest part of the city? We get a lot of concern about the mine that was going in near Interstate 15, Sloan Canyon. Has that been resolved yet?

Mark Calhoun:

That has not been resolved yet. The city has a neutral position on that.

Assemblyman Stewart:

My constituents do not.

Mark Calhoun:

I know.

Assemblyman Stewart:

If you would follow up on that, I would appreciate it.

Mark Calhoun:

I will do that.

Andy Hafen, Mayor, City of Henderson:

Maybe I can give a little more enlightenment on that. We actually had some legislation going through the federal government that did not make it through the last congressional session and will be reintroduced. The environmental assessment is still in progress. We are working on it through the federal delegation.

Chair Kirkpatrick:

Anyone else have any questions?

Assemblyman Goedhart:

What is that kind of mine, just aggregate?

Andy Hafen:

Aggregate.

Assemblyman Goedhart:

So it is basically another gravel pit?

Andy Hafen:

Correct.

Chair Kirkpatrick:

Mayor, I think we want to hear from you because we are saving all the hard questions for you.

Andy Hafen:

I have been part of this city since being elected to the council in 1987. At that time the city population was less than 50,000 and today it is over 275,000. There are many positive aspects of the city that I would like to touch on. But I know you do not have enough time, so I am going to touch on some of the main highlights. We have one of the lowest property tax rates. It has remained at 71.8 cents since 1991. We have a number of nationally accredited departments. We hold the highest bond rating of any municipality in the state which is at AA+ from Standard and Poor's. We continue to have the lowest employee-to-resident ratio. I would like to point out that the City of Henderson meets approximately 80 percent of the Nevada Taxpayers Association's 42 recommendations for spending reforms for local government with current practices. We are exceptionally proud of being named twice as the best place to live by *Money Magazine*. We truly believe that we are a place to call home.

I would now like to share with you some illustrations of the challenges that local governments have been facing. For FY 2011, Henderson is facing a general fund deficit of more than \$13 million. We are all aware of the threat of the double dip recession which could exacerbate this. Unemployment is high, causing strain on both county and city services. With construction activity depressed, sales from materials are down. The tourism industry has declined in the past three years with both visitor volume and spending per visitor. I do not think it is news to anybody that some in the Legislature have indicated the potential of looking to local government coffers to fill the state budget hole. But with this threat it means more cuts to local government services which ultimately affect all of our residents.

The City of Henderson has changed along with the economy. We have implemented a hiring freeze beginning in October 2008, which saves approximately \$7 million in salaries and benefits per year. We negotiated future contractual obligations with all the city's representative groups. We are extremely pleased and want to emphasize the cooperation of all of our bargaining units. Including Teamsters, Police, and Fire bargaining units, these concessions will save the city approximately \$6.4 million annually. We implemented a contingency plan, category 1 budget reduction in July 2009 for a savings of \$6.3 million. Then, in February 2010, we did additional category 2 cuts that are about \$3.5 million annually. I think it is important also to highlight that our nonrepresented employees have taken a 6 to 11 percent reduction in their compensation. Cost of living adjustments for fiscal year 2010 and 2011 have also been eliminated. As you can see, we have taken bold and necessary actions to keep our costs down. Other reductions we have made include the elimination of deferred compensation match and other benefits totaling \$3.2 million. Tuition reimbursement limitations and elimination of

vehicle allowances save \$425,000. We restricted travel and training, saving the city \$1.2 million. Capital improvement projects have been postponed, including much needed improvements to our Henderson Convention Center as well as our fleet maintenance facility, saving more than \$20 million.

To summarize, in 2008 we recognized downward trends in key financial indicators that marked the beginning of the economic downturn. We moved quickly to create a five-year budget model to stabilize our finances. The model includes revenue and expenditures to stabilize our finances. It also includes projections of all major operating funds and helps us measure and make regular adjustments to our fiscal sustainability. We have implemented these measures and they do protect the city while balancing the needs of providing premier services to our residents. To date, Henderson has implemented nearly \$90 million in budget reductions.

With that, this concludes our presentation Madam Chair, and we would be happy to take any questions here or offline.

Chair Kirkpatrick:

Does anybody have any questions? I have a couple. I will tell the Committee that the City of Henderson has the best economic development reports there are. They do a very good job. We highlighted them last session and the rest of the state is starting to do the same, so that the public can really see the dollars invested, the dollars generated, and the impact that goes back to our community. But I did not see specifically the kind of services that you provide. That is important for people to know. Cities are unique across the state with the different services that they provide to their residents.

Andy Hafen:

We are one of the only full-service cities in the state. They include public safety, water, waste water, parks, and recreation. We handle all services that are typically found in cities that are not in major metropolitan areas.

Terri Barber:

Included in your backup materials ([Exhibit D](#)) is a copy of our departments, the services they provide, and their mission statements.

Chair Kirkpatrick:

The charters are helpful because before yesterday most people did not know the process of a charter. That way we have an idea of what the cities are responsible for and the challenges they face.

Assemblyman Stewart:

Mr. Mayor, can you elaborate on the growth? I know like Mesquite that has been very fabulous in the 20 years or so. Can you comment if it has slowed down and how much, a little bit on foreclosures in the city, and attracting new businesses — those three items?

Andy Hafen:

During the decade of 1990-2000 Henderson was the fastest growing city in the nation. We had unprecedented growth, like 12, 14, and 16 percent growth. That has slowed down tremendously. I am not even sure if we are at 2 or 3 percent. We are growing though very minimally. We want to highlight we are growing so we still have to provide the services to which we have become accustomed, even though our budgets and revenues have been decreasing.

As far as economic development, we actually have reached out on an international basis. We are actually signing strategic agreements, alliances if you will, with Asian countries like China and Korea. In December 2009, the City Manager and I traveled to Korea to set up strategic alliances with two or three cities there. You will have to remind me of the third item.

Assemblyman Stewart:

The foreclosure problem?

Andy Hafen:

Of course all of us know that southern Nevada leads the country in the foreclosure rate. I have not seen any reduction in that. That is still a problem in the City of Henderson.

Chair Kirkpatrick:

Are there any other questions? [There was no response.] We hope you will stay around all day and be a part of the legislative process. At this time we will call up Carson City.

Let me quickly tell the public that you had some additional documents that we did not put in the notebook, but they are on Nevada Electronic Legislative Information System (NELIS) for the Committee, and you do have most of the materials in the notebook ([Exhibit E](#)). We do appreciate spending 120 days in your city. The more you can point to that we need to visit would be great.

Bob Crowell, Mayor, Carson City:

I would like to give a thumbnail overview of Carson City and then have our City Manager discuss the details of our budget. Carson City is a consolidated municipality. We are actually a city and a county. We have the best of both worlds and the worst of both worlds. We are governed by a four-man Board of Supervisors and me as the Mayor. Until recently we were also joined on our Board by Assemblyman Livermore who is now a member of your august body. Assemblyman Livermore served on our Board for 12 years.

These are some of the economic issues in our community. Our unemployment rate in Carson City had been hovering right around 13 percent—12.8 to 13. We actually thought it was starting to improve a little bit, but the last numbers show that the unemployment rate jumped up to 14 percent. That means in people terms that there are 3,937 wage earners in my community who are out of work. Not a very pleasant thing to say, but there it is. In terms of commercial vacancy space in Carson City, the numbers we have seen from our commercial brokers say the number is somewhere north of 25 percent of commercial vacant buildings in Carson City. Our population was recently 57,000 people, but has now, with the last census, declined to 55,000 people or there about. We are seeing an outflow of construction workers obviously, but we are also seeing an outflow of young professional families leaving our community.

On sales taxes, we have seen a decline of at least 30 percent or more over the past three years. We are, however, starting to see some improvement in sales tax. Our November numbers showed that the sales tax increased 13 percent. That is a marked improvement from either a decline or a flat number. The sales tax numbers in Carson City are driven mostly by automobile sales. The latest reports show most all sectors were up in Carson City, but primarily the automobile sales. As the Mayor, that means capital is starting to move in our community, since they are relatively large items of expenditure.

In terms of filling vacant buildings, we have now seen the addition of Kohl's department store, Big 5, and Big Lots. I am also told that Olive Garden will be building a new restaurant in south Carson City this year.

We are cautiously optimistic that capital is starting to move in our community, but we are not taking anything for granted. With careful management and budget cuts, we have managed to keep staff morale up and most public services intact. We have also relied very heavily on community volunteer support and community support to make that happen.

With the recent transfer of federal lands, Carson City now has over 6,000 acres of open space. It is one of the most beautiful areas in Nevada. We just recently completed the acquisition of two major parcels of property along the Carson River. Now Carson City residents have access to open space from Silver Saddle Ranch on the south side of Carson City, near the river on Fifth Street, all the way to the county line on both sides of the river. That will also be an area where hopefully the V & T Railroad can go through Brunswick Canyon at some point in time. We are also creating a greenhouse garden project on our high school. It is a community garden. My predecessor, Marv Teixeira, created an organization called Partnership Carson City. This is a group of community leaders that meet monthly to determine what they can do in terms of providing services and raising funds to combat drugs in particular, and gangs as well. They also do whatever they can to make sure that the quality of life for our residents is maintained.

If you are in Carson City you will hear me say, and I say it often because I believe it, that Carson City is more than just an ordinary collection of neighborhoods. Carson City is a community in the truest sense of the word. We are geographically blessed to be small in size, but we have a wonderful community base of people who are committed to making our community move forward.

Obviously, with the economic data I have given you, we are focusing on job creation and diversification of our economy in Carson City. Let me give some highlights of what we have done on that. To the maximum extent possible, we have tried to push every infrastructure dollar available to us as a community into the private sector. We have created recently the Business Resource Innovation Center which is right next to City Hall. The Business Resource Innovation Center contains a research library for businesses, existing and new, in which they can research the demographics of Carson City, et cetera. It also combines in one location planning, zoning, and permitting so that it is essentially an one-stop shop for any business. It is a place businesses can go and get the answers they need. The message we want to give with the Business Resource Innovation Center is that we want to make things happen; we want to be business friendly; we do not want to hear of anyone having difficulty getting through red tape in Carson City. We have also dropped our water and sewer connection fees by 90 percent. I am led to believe that that drop in water and sewer connection fees may well be the catalyst for the creation of an agricultural food processing center, east of Carson City, which has the potential of creating about 1500 very good, high paying jobs in our community. We will be revisiting whether that reduction in water and sewer connection fees should stay in existence for another year or so. We will be taking that up this summer.

Assemblyman Ellison:

Were the rates dropped in both commercial and residential?

Bob Crowell:

Yes.

Assemblyman Ellison:

That is pretty good because right now most people are trying to raise rates, to gather whatever they can. You were saying that your unemployment is up, but your housing seems to be staying pretty steady. As I look around town, it appears that your housing market is good.

Bob Crowell:

Assemblyman Ellison, you are right. Carson City, because we are geographically challenged, did not have the construction level of activity that other communities had. As a result, when the recession hit, we were less affected by foreclosures because we did not have the overbuild situation. Foreclosure is deeply troubling. There is no doubt about it. But in the overall economics of Carson City, the foreclosure rate is starting to ameliorate in Carson City. We do not see the vacancies that other cities do. I do not mean to underestimate the effect of foreclosures on individuals who are going through that. But in general terms, we have been fortunate.

Lawrence A. Werner, City Manager, Carson City, Nevada:

I think in addition to that, Assemblyman Ellison, we had a growth management act that passed in the late 1970s which limited growth to 2 to 3 percent annually. So we did not see, as the Mayor stated, a huge increase in subdivisions or the ability to do so. Based on that, we acquired water rights starting in the 1970s to try to meet our build-out, which we thought to be a population of about 80,000 people. So the city, over the years, has acquired all the water rights it needs to be able to supply the population and commercial growth. That allowed us the ability to reduce the charges because we were not requiring other people to bring in water. The fact that we do not have a lot of houses under construction means that we do not have a lot of foreclosures.

Assemblywoman Neal:

You mentioned diversification. What kind of diversification are you trying to do? This 2 percent cap on growth suggests that it must be fairly streamlined industries you are seeking to come to this area.

Bob Crowell:

You are absolutely right. We believe that the twenty-first century workforce will be the creation of knowledge-based industries. You heard from our

compatriots in Henderson about going overseas. I personally used my own money to go to China to speak in front of 500 international Chief Executive Officers (CEO) at the first World Emerging Markets Summit to talk about bringing high-tech jobs to Carson City. In that regard, Carson City right now has under consideration a public-private partnership that would create a knowledge and discovery center in the middle of town. This center would be designed to be not only a library, but also a business resource where with a digital media center, an EB-5 center, conference rooms, and retail space in downtown Carson City. If the numbers pencil out, it would be an attempt to link our K-12 and our college education systems with our business community in Carson City, with our cultural community in the form of a redevelopment project smack in the middle of our community. So when you come to Carson City, you will not only come to the State Capital; you will come to the knowledge base capital of Nevada. We are looking for high-tech jobs. We are looking for good paying jobs. We are looking for jobs that will sustain us through the twenty-first century. We think that we are on the cusp of doing that. Hopefully we can do it without creating any debt to our city.

Assemblywoman Neal:

You are trying to build on your base of intellectual capital, but what percentage of your unemployed is a part of your intellectual base?

Bob Crowell:

I think that is an important question, but I do not know what that breakdown is. I can tell you that we do have an industrial air park from which we have seen an outflow of businesses there going overseas. We are now seeking some industries to come in that creates wealth. In my view, industries that make things do create wealth, so we are looking at bringing that type of industry back into our Industrial Air Park in Carson City. You raise a very good question as to what types of individuals in terms of job categories are the unemployed in our community.

Chair Kirkpatrick:

Assemblywoman Neal, the Department of Employment, Training and Rehabilitation does have that information and it is done by county. I know Mr. Mosely is actually going to be in building today so we could call him and get it today.

Assemblyman Livermore:

Several years ago we did what is called an economic vitality study. Out of that study came three things: first, redevelopment of the airport, with the largest sum of expenditures and those jobs created at that location. Second was regional healthcare and jobs created with that. Third, the most important was

the retention of the automobile dealerships, and Carson City has used its process of redevelopment to foster that. Could you talk a little about that process; what the accomplishments and results of that have been?

Bob Crowell:

My hat is off to you as that project showed so much foresight. That redevelopment project has created two new buildings for our auto dealers. That has been a huge help in the ability of Carson City to maintain its quality of life. On regionalization, you are correct. Not only do we have regional health care, but we are now seeing regionalization of our water system. We have connected Douglas County, Carson City, and Lyon County with physically-interconnected water systems, so that we can provide better fire protection and better water services to our residents. Also, it has allowed Carson City to avoid the expenditure of \$40 million for water treatment in Carson City.

We have just finished remodeling our airport at a cost of about \$11.5 million. We now have a first class airport in Carson City. We are seeing businesses who like to use airports pay more attention to Carson City.

Regionalization of resources, regionalization of infrastructure costs is a big part of why Carson City is where it is today. We have good relations with our neighbors. We are all trying to make things work.

Assemblyman Munford:

Do you have a gang problem here in Carson City?

Bob Crowell:

The short answer is yes, but we are getting a handle on it. We do have outlaw motorcycle gangs and other gang issues here in Carson City. We are fortunately, however, seeing a decline in that. We think the reason for the decline is the work of Partnership Carson City to specifically attack gang issues. Our juvenile crime rate is declining. We are making headway.

Assemblyman Stewart:

I have a three-part question concerning your infrastructure. The Ormsby House, is there any chance that in Mr. Anderson's lifetime it will be open? Are there plans to extend the freeway further to the south? Are there any plans for a legislative ride on the V & T Railroad, maybe in the spring?

Bob Crowell:

We will get a date set for a legislative ride on the V & T Railroad. Last night in the Regional Transportation Commission meeting I heard that Nevada

Department of Transportation is hopefully going out to bid on the final phase of the freeway. The freeway will probably be completed before the Ormsby House opens.

Assemblywoman Flores:

You mentioned that Carson City had some gang issues but that you have gotten a handle on them. Can you give some examples of what you have done to deal with that issue, and why you feel you are getting a handle on it?

Bob Crowell:

Partnership Carson City's juvenile program has instituted education awareness programs in our schools. We have partnered with our Chamber of Commerce to build mobile recreation centers in areas of our community where we believe that those would be beneficial. We believe that those two efforts alone have paid dividends.

Assemblywoman Flores:

Could you explain a mobile recreation center?

Bob Crowell:

It is a trailer-like structure that can be moved. It has computers and games for the younger children. It is a place for the youth to go after school. They are mobile. We have two of them in Carson City.

Assemblywoman Neal:

I imagine that they are fairly inexpensive?

Bob Crowell:

They are fairly inexpensive. I believe they cost about \$19,000.

Lawrence A. Werner:

We also have the ability for outdoor sports. I believe there is soccer capability. The center also provides for kids that are interested in doing athletics and the ones that need some entertainment. We partner with property owners that have open space. It moves from area to area.

Assemblyman Livermore:

Before I left the Board of Supervisors, I was very involved with the mobile recreation. The committee looked at areas of high gang activity and where we could make an impact on young people. We went into the middle of those areas. On Hot Springs Road, in the north end of town, a church allowed us to use about two acres of their property. The mobile recreation unit was staffed with people from the Boys and Girls Club who even assisted young people in

doing their homework. The juvenile problems were occurring between the time the children got out of school until the time their parents came home from work. It was on a part-time basis, not every day. On the days it was not there, the Boys and Girls Club showed up with their vans and took the young people to the Boys and Girls Club. Mayor, you may wish to discuss the new Boys and Girls Club we just opened: how that was developed, and what benefit that has been.

Bob Crowell:

We are proud of our Boys and Girls Club. We are now about to add basketball courts and football fields right next to it. It is a big part of our community. It is a place for our children to go and be safe.

Another project that Carson City is on the cusp of doing is creating a regional recycling center at our landfill. We are talking to Douglas County about consolidating their waste with ours. This will extend our landfill life to 100 years and will put our diversion rate for recycling at 65 percent. Hopefully in March we will be able to do that. We think we can do that with little or no impact on rates to our citizens. This is another effort of regionalization of resources. It might even be a rate reduction to the Douglas County residents.

Chair Kirkpatrick:

I know that you have also done some joint ventures with water with some of the other entities. That is important because those of us from southern Nevada assume we all have the same water. We will have very extensive water presentations on the 21st, but just give an idea on that.

Also, I have been trying to figure out how to do a one-stop shop. Thirty-two other states do it. Nevada just seems to be behind the curve. Ironically the last couple of days, people seem to present one-stop shops they have created recently. I am curious about your infrastructure. I want to see specifically how you pulled it all together.

Bob Crowell:

There is an actual physical interconnection of the water systems between Douglas County, Carson City, and Lyon County. That is a big deal. It lays the groundwork for something like the Southern Nevada Water Authority. I was on the Colorado River Commission when that was created. That theory of water management works. The actual physical interconnection gives us the ability to have those options down the road. In addition to that, it saves Carson City about \$40 million that we would otherwise have to spend on a uranium treatment plant. It gives better fire protection for Lyon County. It allows Douglas County to have more efficient use of their water resources. It is not

lost on me that just a few years ago Douglas County and Carson City were fighting over who did what out there on Topsy Lane south of town. In my view, what we did was spent a lot of money competing with each other when it could have been used to support the infrastructure. We have learned a lesson. We are moving forward. The idea is make it work.

Chair Kirkpatrick:

If you could just have them drop it by or come by and talk to me, that would be great. That is an important piece of getting our economy back on track. We all realize that we have to work together. For you that were not here before, it is very contentious when you talk water in northern Nevada. Talk just a little bit about it because that is a huge milestone for this part of the state to accomplish.

Lawrence A. Werner:

Our organization, mission, and objectives are in the material that you have ([Exhibit E](#)). One of the things the Mayor discussed is that we are a city/county government so half of our departments are elected and half are appointed. We do full-service.

Did we answer Assemblyman Munford's question and the others about the gang issues? We instituted a program of performance measures about three years ago. Every department has set its objectives to align with the city's goals. They have developed criteria by which they measure the information. I have given some examples in the handout ([Exhibit E](#)). We currently track 3,200 points. For example, gang activity, arrests, sexually transmitted diseases, inoculations, potholes, et cetera are tracked in real, measurable numbers. So when we say the gang violence has gone down, we can actually point to the statistics—type 1 and type 2 crime rates are down. That is in your handout ([Exhibit E](#)). This has been an interesting process. The next thing we need to do is tie that to the budget and ultimately to the community's interest. If we are doing something, even if efficiently, is that something the community wants? In another two years when we are having this presentation, we will be able to show you that what we do is what the community wants and how efficiently we can do it.

There is a section in the handout ([Exhibit E](#)) that discusses the regionalization. We do have some specific descriptions on the water intertie projects, the landfill, and some projects we are working on now.

As with other cities, we saw a problem in 2007 because of the drop in sales tax. We are not necessarily property tax dependent. We are about 50/50 between sales tax and property tax. When the sales tax dropped in 2007, we

began our economic downslide, which encouraged us to keep the auto dealers here, and to expand. At the same time we started negotiations with our labor units. We have given some statistics. We also negotiated zero cost increases and zero raises for all six of our bargaining units. Those have tail end issues because we have four-year contracts. Toward the tail end we are starting to look at some of those cost increases. We did drop about 18 percent of the number of employees over the last three years in the general fund. We are down about 100 employees out of a 500-plus employee base. Our revenues have dropped about \$6 million. Sales tax dropped \$12 million, but we had an increase in property tax because of the abatement process. We had 40 percent abatement on our property tax citywide. Even though the property values were dropping, the property tax was still going up. It probably saved us to some extent, but that is coming to an end now.

We will send the information that you have asked for to Chair Kirkpatrick.

Chair Kirkpatrick:

At this time, we will hear Douglas County. You have a hard copy of their presentation ([Exhibit F](#)) in your notebook. NELIS has the documents as well.

T. Michael Brown, County Manager, Douglas County:

Douglas County is arguably the most beautiful county in the state. Drive south about four or five miles, you will go over a ridge and be greeted by a fantastic mountain range. You will see Job's Peak framed. We have a long heritage with some of the settlers in our community. We have a very strong agricultural base. We have what is called Eagles and Agriculture Tour. The bald eagles come this time of the year. A lot of people take advantage of that. We also have Lake Tahoe. The South Lake Tahoe area, at the Nevada/California state border, is the casino core. The casinos there are within Douglas County.

We too have had significant financial challenges with our budgets. I regard us as kind of a mini-Clark County with our dependency on residential construction and growth. We have had a significant drop in building-related revenues, sales taxes, et cetera as you can see in our document ([Exhibit F](#)). Unfortunately we have been about third or fourth in unemployment rates. Our last December's unemployment rate was about 15.7 percent. We have a more diverse set of manufacturing-type businesses. We also have a strong government and school district like a lot of smaller communities. Our population is about 50,000.

We love working with Carson City. I want to focus on that regional partnership. I have put a few examples of that in our presentation ([Exhibit F](#)). We have had a number of relationships with various public agencies all along. Just to touch on the water one, it has been a wonderful opportunity with which we have

saved a significant amount of money and share that resource. We are in a closed basin. We are a member of what is called a self-conservancy district. The district includes Alpine County, California, and four counties in the State of Nevada: Douglas County, Carson City, Lyon County, and Churchill County. We all have a property tax rate that we contribute to protect that water resource. It is part of a strong partnership which works really well to protect that water resource. It is a great example of how working together makes projects very effective.

A major challenge with our personnel is the benefits as a percentage of salary. There is a lot of talk about wages and so forth, but I am not going to spend any time on that. We have challenges in the benefit arena. Health care costs and employment costs are major challenges. They affect every local government in the nation and we are no exception. That has been hard to manage because it is outside of our control.

A positive thing, we too have had a very aggressive economic vitality focus. We have a unique way to address economic vitality. The Board adopted this plan that we worked on for two years that has private sector champions in areas of education, revitalization, and specifically tracking key businesses. We did a large-scale community assessment to determine what our needs and desires are in the community. We have targeted our focus toward outdoor equipment, lifestyle, and manufacturers.

On the Ascent Douglas website for < <http://www.ascentdouglas.com> > you can see our social media which I would argue is probably one of the best in the nation. It uses techniques like < www.flickr.com > , < www.youtube.com > , et cetera. It invites people to give us their videos. We have many young people in our community who compete internationally. This is a cool way to get the youth involved, which is an issue in our community.

We have had a decline in the number of children. We have a disproportionately large number of people aged 55 and older. We have become a retirement community. We are trying to create an environment for them as well with our trail systems and so forth. We have a focus on a community center.

Chair Kirkpatrick:

You have the most General Improvement Districts (GID) within the state. Everyone will be asking what a GID is. Could you go into that, please?

T. Michael Brown:

We have 38 different GIDs in Douglas County. Thirty-one of those have property tax or an allowable property tax rate. A General Improvement District

(GID) is created to provide certain key services in a certain regional area. We have many pockets of those GIDs throughout the county. For example, Indian Hills GID is the first GID across the Carson City line. They perform only certain services. They typically provide things like streets, water services, and snow removal. They are kind of an expansion of a homeowners' association that provides additional services. But they are a separate board. They set their own tax rate. They were either created by statute or by the Board of Douglas County Commissioners.

We also have unincorporated towns. There is no city in Douglas County. These towns were created by the Board of County Commissioners. They provide key services. They are the heart of our community: Genoa, Minden, and Gardnerville. They have their own elected board. The Board of County Commissioners sets their tax rates. They are basically a creature of the county in the sense that they provide key services, but they have an independent board.

It is great to have all those different groups from the service delivery aspect but politically it creates some challenges. What happens is that over time, if your main source of revenue is property taxes, you have probably done pretty well. Only about 20 percent of the county's revenues are from property tax. We are probably struggling more than most of the other public agencies in our community. Our sales taxes are continuing to decline. Carson City's are going up. The state in general is going up. Ours are still going down.

Chair Kirkpatrick:

Are there any other questions? I want to look at that study that you did. That is a pretty unique perspective.

T. Michael Brown:

I will provide you with a copy of our economic vitality plan and give you more information about it and the focus area on outdoor recreational lifestyle.

Chair Kirkpatrick:

Can you tell me how the public participated in it?

T. Michael Brown:

We worked with another state agency that performed the assessment. They broke the community up into different groups of people like high school students and churches. They basically asked them three questions: What is missing in the community? What do you want in the community? What is your vision for the next five years? They allowed a large amount of input. The major focus was on the outdoor recreation and lifestyle area. Those were a common

theme throughout the whole community assessment. It is one of numerous themes. Another major theme is education. The businesses need an educated workforce, like any place else. That is why we targeted the one industry.

We, as a government, have the Nevada Development Authority (NDA), a great group, which we use as an economic development arm. We do not need to staff for economic development. We have one staff member that provides a resource for that group. They look for resources and we chase the grants for them. We thought we needed private sector people to do that, people that have the thirst for that type of work and are experienced. The person involved has led the first ascents of 50 different rivers in the world. He knows the heads of Patagonia, Teva, North Face, et cetera. He is a passionate person driving the process.

Chair Kirkpatrick:

I think the northern Nevadans are very lucky because you are very community driven, very close-knit communities. In southern Nevada we have too many block walls that impede communication. Northern Nevada is very fortunate to have that.

T. Michael Brown:

When we went for an airport ordinance, we held 45 different meetings to get participation; on a water rate, 16 public meetings; on landfill process, 95 stakeholder meetings. We are incredibly active with the community.

Assemblyman Stewart:

On page 17, your gaming revenue has huge decline that started well before the recession started. Can you explain that? Secondly, in the last session I was amazed at some of the companies that are located in Douglas County. Have you lost any of them? Do you plan to attract more?

T. Michael Brown:

I will answer the second question. One of the companies we have is Starbucks. We have one of the three roasting plants in the nation. Another company is General Electric (GE). General Electric bought the company from Bently. Bently is one of the largest landholders in our community. They make equipment that monitors rotating machinery. That operation is a \$2 billion industry. To put that into perspective, the agricultural revenue in the entire state is about \$1 billion. We do have those pockets. Even up at Lake Tahoe, we have a company with federal contracts to make microprocessors. We have North Sails that makes sails for major boat races. John Omohundro makes carbon fiber surfboards and kite boards. We have a diverse and unique number of businesses.

Assemblyman Stewart:

You have not lost any of those companies?

T. Michael Brown:

We have not. But the Board of Commissioners has an event they call "lunch on us." Every few months the board takes lunch to the business and listens to the needs of the existing businesses. It is a great way to do outreach. There is a lot of talk about bringing new businesses in. We are trying to keep the businesses we have. One of the first was GE. They have major needs. About 30 percent of their workforce is vocational needs. A lot of that workforce is commuting from Dayton. We need those people in our community, coming from our school district, working for our businesses.

Nancy McDermid, Vice Chairman, Board of Commissioners, Douglas County:

One of the challenges that we have is the regulatory and economic issues at Lake Tahoe. With respect to the gaming, part of the problem that you see on page 17 ([Exhibit F](#)), those facilities at Stateline are very aged. They have not been remodeled. Currently the environmental aspects of Tahoe create an additional problem for companies that wish to locate there or redevelop their properties. The environmental component is a critical component for maintaining our lake quality and clarity. However, it creates an additional cost. Many companies have not done much and as a result they are not as competitive. However, Tahoe is still number one on many lists as the place to go. The water quality standards are very extensive and expensive. We have fire dangers. We have antiquated infrastructure.

We have changing demographics. At one time there were two commissioners from the Tahoe Basin. We have lost population in the Tahoe Basin. I estimate that 70 percent of the homes on the south shore are second, third, fourth, or fifth homes. Many of the homeowners are not Nevada residents but residents of other states who plan perhaps one day to be residents, but have not made that commitment yet. We have lost school population. We have lost year-round families at the lake.

What we have done to face this challenge is develop public-private partnerships for environmental improvements. Sierra Colina is a project that was approved by the Tahoe Regional Planning Agency (TRPA) governing board with an 11-2 vote. It is litigation with the League to Save Lake Tahoe. The Beach Club was unanimously approved by the TRPA governing board. They want to develop but they can not get financing. Financing is a challenge right now for many entities. There are six jurisdictions at the lake: Carson City, Douglas County, and Washoe County on the Nevada side; Placer County, Eldorado County, and the City of South Lake Tahoe on the California side.

The six jurisdictions plus the North and the South Shore Chambers of Commerce put up matching funds for an U.S. Economic Development Administration (EDA) grant to study locations for future development to gain economic diversification in the Lake Tahoe Basin. This was written last August at the Tahoe Summit which Senator Reid hosted. The plan identified seven areas that could be developed at Tahoe. We are in the next phase of implementing a prosperity center. That will be a key component. I sit on the Lake Tahoe Visitors Authority. We have been very aggressive in marketing. I want to invite you on Sunday, May 15, at noon to come to Stateline. We will have the start of the Amgen Tour of California. This is a major race, much like the Tour de France, with many of the same cyclists. It is huge to get the start. Already around the basin, in-kind and cash contributions of more than a half-million dollars have been received. Our hotel/casinos have given in-kind contributions of 1,700 room nights. It is anticipated that there will be perhaps 35,000 or more spectators for that event. They will circle the lake one and a half times starting at Stateline going west, ending at Northstar. The next day they will start on that side. This is a very big event. We were fortunate to get the start. Last year it was in Salinas, California. It brought about \$3.5 million into that community.

We have worked very closely with Nevada Division of Environmental Protection (NDEP) to ensure that we have water quality work. It is very expensive and very difficult. There is a component of monitoring and maintenance on those water quality improvements. It is important to do.

We are pursuing grants. We have applied for a \$12 million grant for a pipeline down U.S. Highway 50 at the lake primarily to ensure that there is fire flow. We do have antiquated infrastructure up there that does not provide for fire flow. One of the recommendations from the California-Nevada Tahoe Basin Fire Commission, after the Angora Fire, was to cure that problem. We have sought, in conjunction with other entities, to get that grant from the federal government.

We have diversified our activities for tourists. I am sure everyone in this room knows that gaming is not king anymore and certainly not in Tahoe. The National Geographic Society's geotourism guide of the Sierra Nevada identifies Lake Tahoe. Geotourism, ecotourism, all of those outdoor recreation components are critical in the prosperity plans for not only Tahoe but also Douglas County.

We have transportation projects at Tahoe. I sit on the Tahoe Transportation District (TTD). Realigning Highway 50 in the Stateline corridor is one project.

In Incline Village at Mount Rose (Highway 431) and Highway 28 there will be a round-about put in this summer to improve that intersection.

The Stateline to Stateline Bikeway on the Nevada side is another project. The South Demonstration Project is in Douglas County and now out for public comment on the environmental draft analysis. That too will be moving forward. It has been identified as probably the number one public bikeway in the United States when it is done.

The South Shore Transportation Management Association on which I sit coordinates highway projects into South Shore to ensure that we do not cut off access to the area. We work with California Department of Transportation (CALTRANS) and Nevada Department of Transportation (NDOT) to ensure that their projects do not overlap and close access.

Finally, I want to discuss the TRPA regional plan. I sit on the governing board. We have been working on the regional plan since 2005. Just last month we pulled the trigger on the environmental analysis for the four alternatives of the regional plan. We identified four priorities: land use, transportation, catastrophic threat, and, most importantly, the Total Maximum Daily Load (TMDL). Total Maximum Daily Load is the amount of fine sediment, smaller than a blood cell. Seventy percent of the fine sediment that gets into the lake comes from the roadways and the built environment. These very, very small particles are suspended in the lake probably for our lifetime. It is too fine to filter out. There is no way to extract it out. The only way to minimize this fine sediment is to have water quality improvements that reduce or eliminate as much as possible. That is a challenge for Douglas County.

My district is District 4 which includes Douglas County's portion of Lake Tahoe, Genoa, and agricultural areas. I spend a lot of time and energy in Genoa, the agricultural community, and at Lake Tahoe.

Assemblyman Livermore:

When I was also a county commissioner, we worked on an enterprise zone for the retail centers. Has anything developed from that?

T. Michael Brown:

We had a study, Jeremy Aguero, et al, did a study on the potential of an enterprise zone between Carson City and Douglas County. The challenges are where you define it and its boundaries. If you stop at a certain point, why not the next door neighbor who has a business as well. Another complexity is Douglas is a guaranteed county and Carson City is not with respect to our sales tax distribution. I think that as long as we continue to communicate very

effectively with one another as we do right now that we do not need an enterprise zone. We do not throw money at businesses against each other any more. To create seamlessness between the two communities, planning is important. The way the community looks and transitions from Carson and Douglas is important. Understanding each other's needs with water, sewer, and road infrastructure in that region can be accomplished through great relationships and partnerships. It does not necessarily have to be an enterprise zone.

Assemblywoman Neal:

You mentioned a lack of finance. In your effort to boost revenue with ecotourism and geotourism, do you plan to use this revenue to partner with the hotels for improvement and keep your tourism base interested in staying? Is that a goal?

Nancy McDermid:

When an entity comes forth with a redevelopment or development project, the cost of the environmental improvements has to be included as part of the project. The Legislature passed the \$100 million bonds for Tahoe in 2009. NDEP has a unique approach. They will pay the capital for the improvement with the private sector. The county's responsibility is to monitor and maintain it over a period of two decades. It is just a way to get the improvement so the private sector can develop.

Assemblywoman Neal:

You mentioned the stagnant growth in your population. What are your strategies in order to maintain or rebuild this population so you can maintain property tax?

Nancy McDermid:

We have studied that through our prosperity plans and our community assessment. It is a serious concern throughout the basin, not just in our county. Part of the prosperity plan is to create job clusters. One of the projects that the governing board approved is the Sierra Colina project. It would provide over nine single family homes, within a 54 unit project, that would be deed restricted for specific employee types, like teachers, nurses, fireman et cetera in Douglas County. One of the biggest problems in the basin is the cost of housing. There has not been a lot of affordable housing. We just had a joint meeting with our planning commission on our master plan update. One of the key components of that is the population and housing element. We are looking at what programs are available and what else we can do to provide affordable housing so people can live and work there.

Assemblyman Anderson:

I have a question on slide 25 of your presentation ([Exhibit F](#)) which is the assessed value history. In my recollection, Clark County's went at a much steeper slope. To what do you attribute Douglas County's gentler slope than Clark County or some of the other counties?

T. Michael Brown:

There are two factors. Tahoe represents 42 percent of our assessed valuations. Frankly, people that are rich do not sell their homes as often, so their values have stayed higher. There are still the sales of million dollar homes that have not declined as much as the valley portion, where there are large subdivisions where the land price has dropped dramatically.

We also have more second homes and investment properties. We did an analysis of how many people have second homes as part of their income (that is, rental income). It is disproportionately large, the largest in the State of Nevada. Therefore the sales prices are not there, thus their appraisals are different. Those are the two factors that make our drop a lot less than other communities.

Nancy McDermid:

There are no new parcels in the Lake Tahoe Basin. It creates a limited supply which helps hold the value, unlike other places.

T. Michael Brown:

When Assembly Bill No. 489 of the 73th Session came into place and the 3 percent and 8 percent caps were created, Douglas County had about 27 cents left. We did not tax up to our full capacity. We are a very fiscally conservative community. When that happened, we lost the capacity. Our board did not want to tax the people at the highest property tax. That is what is called the Supplemental City County Relief Tax (SCCRT) make up rate component. We did not maximize that. What happened after that was a tax grab. Across the state, most of the tax rates getting up to \$3.66 because the communities with the largest proportional share got the largest share of any potential tax increase. Our rate is about the second-lowest in Nevada consistently up until about fiscal year 2005 or 2006, then it jumps up. Most all the public agencies in the community raised their tax rates to take advantage of whatever they could get.

Assemblyman Ellison:

Are you actually looking at a moratorium at Tahoe? Also, you were discussing the assessed values of property, but are the assessed value of the houses overinflated?

Nancy McDermid:

The word *moratorium* sends shivers through the Tahoe community. There is no moratorium planned. The problem is that Douglas County gets 13 allocations in Tahoe per year. Also, there are more elements to Douglas County than Tahoe, but it has the greatest propensity for economic recovery. If some good projects are started there, we have a greater opportunity there, than we might have elsewhere. Protecting our agricultural lands and our water resources are huge challenges. We are attempting to accomplish that through eliminating noxious weeds, which is critical.

T. Michael Brown:

Every year our assessor's office evaluates. The market is the market. I am not sure I understand the question.

Assemblyman Ellison:

Homes valued at \$1.2 million that were down to the hundred thousands create an inflation of their own.

T. Michael Brown:

The methodology used was different than the one used at Incline Village which created challenges for Washoe County. Our methodology is very much market-based and not overinflated.

Vice Chair Bustamante-Adams:

[Chair Kirkpatrick left the meeting.]

We will now invite the representatives from Storey County to come up.

Greg "Bum" Hess, Vice Chairman, Storey County Commission:

Like every other county, as well, we as the state are in the predicament of not having as much incoming revenue as we did a few years ago. We are based in Virginia City, which is the home of the Comstock Lode. We also have the Tahoe-Reno Industrial Park. Virginia City had the Bucket of Blood and is also the home of Hoss and Little Joe. It is also the hometown of the world-famous Mayor Goodman. That is LeRoy Goodman from Fernley.

In our county with our population of 4,500, about 77 percent of our revenue is based on the ad valorem taxes. We have a significant drop in the ad valorem taxes.

Being in a very small county, layoffs can affect your neighbor, your friend, and occasionally your relatives. I had to lay off my 64-year-old aunt last year. We are actively trying to keep our budget under your radar. We do not want to live

off of Clark County, which a lot of counties do. We have laid off 26 percent of our staff over the past couple of years. To be honest, we probably could have done without previously. We have also laid off 52 percent of our seasonal and part-time staffing. In the spring of last year we laid off six firemen. We closed the new firehouse at the Tahoe-Reno Industrial Park, which is the nation's largest industrial park. We have so far been able to live without that. We have laid off five policemen. We have not had too many complaints on that either.

We are staying above board so far. We do see on the horizon that there is not a lot going on except for the industrial park. We have substantially downsized our workforce in the county. We are hoping the schools are not faced with the same issue. It is a very close-knit community and is involved in the schools with the basketball and baseball teams.

We have some issues that we will be back to discuss. Public Employees Retirement System (PERS) for the firemen and policemen is 60-70 percent of our budget. It is now 40 percent for firemen. When I began on the county commission 12 years ago, it was 20 percent. As this cost keeps rising, it is difficult because it affects entitlement and such from these people. But, if you start laying staff off, then you do not have the needed coverage. We try to be very conservative and we are forced to be so now.

We do have the industrial park. We have Walmart, Petsmart, James Hardie Industries NV, and a new company, Toys"R"Us. We have a unique situation. We have a foreign trade zone there. It is 300-400 acres in size. It is an area where they can park in the industrial park tax-free directly from the Port of Oakland, until they distribute. We have not had much use of that aspect yet. We have a private-public partnership with the industrial park developer. The developer creates much of the infrastructure that is needed for an industrial park such as roads, septic, sewer, and electrical. The county, through tax abatements, will pay back the developer for the work he had done. We are very blessed to have this industrial park in our county. It has saved us because tourism and gaming are down.

On the horizon, we see a lot of great things happening in the industrial park. One of the big projects we have been involved in for about two years is a 7,700-acre wind generation plant. They have proved that there is great wind there. NV Energy lines run through the middle of the property. We are having difficulty getting the Power Purchase Agreements (PPA) from NV Energy. This is 180 megawatt generation that could go directly to the industrial park if needed to make it green. A lot of companies from California have loans or financing requiring green energy compliance. Without the PPAs the wind will not do anyone any good. About 30,000 homes can be supplied with

180 megawatts. That is about 29,000 more homes than in Storey County. They can ship that power to Las Vegas or California. We are very into this wind energy.

Pat Whitten, County Manager, Storey County Commission:

Mr. Hess has covered most everything. I just wanted to note that there should be an article in the Sunday *Reno Gazette Journal* on our industrial park with interviews from our principal developer, Lance Gilman, and me. It will give you a great glimpse of the dynamics of this partnership of which we are exceptionally proud. As Vice Chairman Hess mentioned, on the green energy side we embrace certain programs. We have an international company, Schluter Systems, which is our one new building startup in 2010-2011. They are really there because of the state's Leadership in Energy and Environmental Design (LEED) energy certifications. Madam Chair, I applaud you specifically in your endeavors to say that if we put these incentives out there, let us hold accountable these companies that got the incentives in the first place. Barrick Gold found it cost-effective to build a solar array and gas generation plant in Storey County. They actually wield their power out to their mining operations to the East. I echo what Commissioner Hess mentioned about those PPAs. We need that cooperation from the big energy company. With that I think the sky is the limit for all of northern Nevada and southern Nevada too when it comes to solar energy.

Greg "Bum" Hess:

The V & T Railroad is very important to us as well. We got it to Carson City now. We are trying to get it to where it ran in the past, underneath the Catholic church and to the new Silverland Inn. The Silverland Inn is a 75-room, very nice hotel. That is our goal on which we have been working for about two years. We have almost fulfilled the financial obligations so that we can actually start the tunneling in May. We are always looking to better serve the people coming to Virginia City. Gaming is mostly nonexistent so we are looking at trains and things of that nature. That is a very important item we have right in Virginia City.

Assemblyman Anderson:

Could you quickly run through every sort of industry that you have in Storey County?

Greg "Bum" Hess:

The industrial part is currently a distribution center. We have Walmart in a 1,230,000-square-foot building. Petsmart is in an 800,000-square-foot building. James Hardie Industries NV has added on and is in a 700,000-square-foot building. Mars Family, which has Pedigree pet foods

distribution, is also located there. We are obviously looking for some manufacturing to come in. We also have northern Nevada's largest landfill, Waste Management, which has been in Lockwood for about 25 years. The area also has five power plants. There are none in Washoe County. We house pretty much all of the power plants for the northern areas of Washoe County, Storey County, and parts of Lyon County. NV Energy has three plants there. Barrick Gold put a plant in about four years ago to subsidize their power in Elko County. We also have a nanowatt power plant which is a peaker plant for when there is high power usage. Those are our main industries.

Chair Kirkpatrick:

I think Mr. Anderson should go up there because until you see it you would not understand how it works.

Greg "Bum" Hess:

You cannot see most of the industrial park from the road.

Pat Whitten:

I invite you all on a tour. We have a small, 18-passenger bus we can use. For every building there is a story. There is a place called Dynamic Isolator Systems (DIS) which builds massive rubber washers to take up slack on suspension bridges. It is an incredible tour. Commissioner Hess mentioned the larger ones such as the million square-foot Walmart distribution center of which over two-thirds is refrigerated. The little ones are almost as interesting with the stories they have and the contribution that they make to Nevada as far as jobs and job stability. Chart Industries is an international firm that repairs pressurized tanks. You think of those CO₂ tanks in a restaurant. They have pressurized tanks outside that are larger than half this building that are transported on the railroad. The railroad is an integral part of the industrial park as well. Both Union Pacific Railroad and Burlington Northern Santa Fe Railway pass through there.

Assemblyman Munford:

I remember visiting Virginia City as a history teacher. I remember a church. Is it still there? I also remember an old schoolhouse. That was extremely impressive to me and those sights are still there.

Pat Whitten:

You have brought up two classic examples of local government partnerships. The Fourth Ward School, which you refer to, was a derelict building which came under county ownership probably due to delinquent taxes. Through a cooperative partnership with a nonprofit foundation, the Historic Fourth Ward School Foundation, they have renovated it into a showpiece. The Catholic

church and the Diocese of Reno invested over \$2 million to structurally renovate and strengthen that building in the past 2 years. We allowed them to block off an entire city block for the major construction with exterior scaffolding. On the last day before the rededication, we took that as a community service day and had 20-plus staff members of county government and our schools there helping wiping down the pews, reinstalling things et cetera.

Assemblyman Munford:

I hope all the freshman legislators will take the opportunity to go visit this session. They will find it extremely interesting.

Assemblyman Livermore:

Tell me how you are financing the work on the V & T? Is that grants?

Greg "Bum" Hess:

That is bonding. I am a fifth-generation Nevadan and probably the last mining generation, which I did for about ten years. I used to play in that tunnel in the fifth grade. That tunnel was somewhat open then. There are a lot of the old-time miners up there who are taking an interest in this. They want to open it up before there is no runway left. We financed it through a bonding associate.

Pat Whitten:

Assemblyman Livermore, it is a combination of things. We did go out to bond as Vice Chairman Hess mentioned. It was our ability to capitalize at the very end of 2010 there was some American Recovery and Reinvestment Act (ARRA) monies, not for the project, but they allowed us to offset 45 percent of our interest rate on any indebtedness up to a cap limit of just under \$2 million. We floated a roughly \$2 million bond that will net us \$1.7 million. We also have utilized under *Nevada Revised Statutes* (NRS) Chapter 377B an infrastructure tax, 0.25 percent sales tax. We have been saving that sales tax money for over two years to apply to that project. There are two other great sources with which you have direct involvement. The Nevada Commission for the Reconstruction of the V & T Railway, which recognizes that this is one of the two bookends between Carson City and Virginia City, has made some very progressive and benevolent inter-local agreements with us that in essence funnel portions of funding back.

The other source is the State Historic Preservation Office (SHPO). Ron James of the SHPO calls with available grant monies. He asks if we need it for engineering costs or other work. This project is a cobbling of everything. We hope to go out to bid later this month.

Chair Kirkpatrick:

We will be hearing the City of Fernley next. We will then take a 15 minute break and then come back and hear those two bills. There is no floor today.

LeRoy Goodman, Mayor, City of Fernley:

Fernley was incorporated in 2001, the last city to be incorporated in the State of Nevada. We currently have a population of about 18,500 making us the eighth largest city in the State of Nevada. We vie with the cities of Mesquite and Elko for that position. We are a blue-collar city. The City of Fernley is 30 miles east of Reno, along Interstate 80, on the mainline of the Union Pacific and the Burlington Northern railroads, and at the crossroads of State Route 95 Alternate and U.S. Highway 50. Our population since 2008 has dropped about 1,200 people with the impact of national recession. The City of Fernley has followed suit. We are down 14 positions from 2009, from 71 to 57. We have cut all travel and training expenses. None of our employees have received a pay raise for the last two years and it will be doubtful if anyone gets one this year. We have a small tax rate, 35.1 cents, which is very minimal compared to other entities in the State of Nevada.

We do have some positive aspects though. Since Fernley incorporated in 2001, the population has grown 110 percent from 8,500 people to the 18,500 we have now. That has been impressive. The growth is due primarily to the Crossroad Commerce Center, the Fernley industrial park, and the Tahoe-Reno Industrial Center in Storey County. Many of the people that work at the Tahoe-Reno Industrial Center live in Fernley. Fernley is 11 minutes from the Tahoe-Reno Industrial Center as is Sparks on the Interstate 80 freeway. It impacts us tremendously too. We do have a good working relationship with Storey County. We work with the Western Nevada Development District of Reno and Northern Nevada Development Authority of Carson City. We are only 30 miles from the cities of Reno and Sparks.

We are an all service community. We do have an independent fire department. The North Lyon County Fire District is a separate entity, as is our swimming pool district. They are separate entities governed by their own boards.

One of the things that make Fernley successful is our "can do" policy. We have had a policy in place for years. When an industry or business comes in, we have 15 working days or fewer to process the permits unless there are extenuating circumstances caused by the developer or the project, but not by the city.

In your packet ([Exhibit G](#)), you will see many of the attributes of Fernley. We are a relatively new town. Lyon County is one of the original nine counties,

formed in 1861. Fernley came into being in 1905 with the Newlands Irrigation Project that connected water from the Truckee River to Lahontan. Agriculture was the main forte of Fernley up until the early 1990s. Since then industry has been our big wheel. We have a large industrial park too, over 5,000 acres. Twenty-five percent of the employees in Fernley are manufacturing based. We have the highest manufacturing percentage base of any county or city in the State of Nevada.

We have over 250 home-based businesses. We are very proud of that because it shows the entrepreneurial spirit that we have.

With our proximity to the Reno-Sparks area, Fernley has had a slow developing growth rate in retail. We just recently got a Walmart and a Lowe's Hardware. We are the home of Amazon.com for the western United States. Sherwin-Williams Company has an emulsion plant there making paint. Trex Co, LLC, which makes synthetic decking, is located in Fernley. Quebecor Printing (USA) Corp., the world's largest printing company, has a facility in Fernley as does MSC Industrial Direct Co., Inc. and several other businesses. We do have a thriving industrial park. We work very closely with those people to ensure their needs are met and promote whatever we can to bring more people there.

Actually those businesses are not doing poorly. Sherwin-Williams just recently added four more employees. Trex is adding another product line and will be adding more employees. MSC just increased their employment by six. Amazon fluctuates as you will see in your handout ([Exhibit G](#)), from about 900 people daily to almost 3,000 for two and a half months during the holiday season. That has a big impact on Fernley.

I have been in Fernley for 45 years. I was a county commissioner for Lyon County for 12 years.

Assemblyman Ellison:

After the dam busted in Fernley and there was flooding in some of the housing units, how did you weather that? That must have been a large financial burden on the community.

LeRoy Goodman:

That was actually a canal that broke three years ago, not a dam. It was quite a burden on the community. We had several homes flooded. Four or five of the homes were completely inundated beyond repair and had to be removed. Federal Emergency Management Agency (FEMA), Lyon County and the State of Nevada came in very quickly. Everyone joined together. It was really a

community effort. The community itself got behind it. Fernley is a very young community. Our median age is just over 34 years old. We had people come to the emergency shelter that had lived there three years and did not even know there was a canal there.

It has been three years since that canal burst. The Federal Bureau of Reclamation met with us last month in the City of Fernley. They had received a \$2.5 million grant from the federal government to study and determine the best way to fix the canal. It has been three years and they told us last month that they will have a final determination of how to repair the canal and what the process will be to us by June 2012. That is four and a half years after the canal burst and that is as close as we are. We are in constant contact with Senator Reid's office as well Senator Ensign and Congressman Heller's office trying to get this process furthered along more quickly, but it does not seem to be effective.

Assemblywoman Neal:

I have two questions. You mentioned agriculture which was flourishing until the 1990s and then it faded out. Was that due to attrition? Secondly, are you trying to use some of the new scientific technology to expand that base? In your report ([Exhibit G](#)), you refer to "other farm products," and I do not know what those are.

LeRoy Goodman:

People started selling their agricultural property because of residential growth. This did not only occur in Fernley but also in the Reno-Sparks area. Those factors alone plus inflated land prices, as Assemblyman Ellison spoke of before, caused people to sell their ranches and farms and subdivide them.

Greg Evangelatos, City Manager, City of Fernley:

In the area relative to foods, we have seen interest in people coming to us exploring hydroponics or more progressive food growing methods. Primarily it is currently alfalfa, cattle ranching, and some sheep ranching, but as the Mayor has stated, it is ebbing. For the most part, the dynamic, because of our proximity to the Reno-Sparks area has been to become somewhat a suburban extension of the Reno-Sparks metro. During the boom, we had, between Fernley and Dayton in Lyon County, over 30 percent of the regional housing. With 5,500 homes under construction, 1,500 to 1,800 of those homes were in Fernley or Dayton. With the calamitous decline in construction, that has altered the equation post-2008. We are now at 10 or 12 housing units. We are working again in the industrial sector with food processing. We see our primary industrial base in terms of manufacturing. That industrial park is 2700 acres. The new interchange, which has just been constructed at a cost of

\$11.7 million, is the result of our public-private partnership with that developer. Connecting the interchange to our industrial base resulted in a \$2.8 million federal money contract with the state. We are also trying to make a connection from Interstate 80 to Highway 50, Nevada Pacific Parkway going after the transportation funds, possibly through our federal delegation for \$11.2 million. We have applied and been approved close to \$15 million to protect our water supply working with the Pyramid Lake Tribe in terms of surface water utilization. For those of you from the southern part of the state, we have primarily underground water rights. Our water supply is 13 wells. One of the major unfunded mandates under the Safe Drinking Water Act is the removal of arsenic. Construction of that water plant and the infrastructure was a tremendous cost to the city which we and our ratepayers are bearing. But that gives us clean drinking water and allows us to springboard into the future relative to economic development.

Assemblywoman Neal:

I completely understand the move to urbanization. But I think agriculture has a long history in Nevada, and I think both can survive and still be a part of the movement to the future, just in a different format.

LeRoy Goodman:

Keep in mind, the agriculture in the Fernley area is very dependent upon the Truckee-Carson irrigation canal that ties into Derby Dam and flows to Lahontan. Fernley, Hazen, and Swingle Bench only receive about 25,000 acre-feet of the 209,000 acre-feet water that is allowed to be diverted. In drought years, when you get a 40 percent coverage, it is very difficult to make a living on agriculture. In the droughts of the mid-90s, a lot of people could not make it so they started subdividing. The industrial park was being heavily marketed at that time as well. The industrial park was and still is successful. It is a two-way street in Nevada. Agriculture can be very chancy because of the climate.

Assemblyman Livermore:

When you visit Fernley, it is almost like an old community and a new community. With the new roundabout next to the freeway, you had a major rebuilding there. How did you do that? Was that private or public-private?

LeRoy Goodman:

That is mostly private. The Scolari family bought a large parcel for the Scolari's supermarket on the north side of the overpass. It just developed from there with the Crossroads Commerce Center. It is all private. We feel very fortunate. Those people have the wherewithal to market those continually as does Scolari's.

We have some plans for redevelopment of the old part of Fernley. That takes money and the economy is not conducive to that right now, but we have some plans. We are trying to get some grants to further that project along.

Assemblyman Livermore:

You were able to capture some major retailers, Walmart and Lowe's, and those companies have an employment base I am sure. I am curious if you had a hand in that.

LeRoy Goodman:

Serving on the Commission for Economic Development for the State of Nevada, you get a good idea of what it takes to make a living in a rural community. For years I was the rural commissioner. It is a different concept when you are in a small town. We feed off the Reno-Sparks sector and western Nevada as a whole. We have a lot of people in Fernley that work or are assigned to the Fallon Naval Air Base. Fernley is an anomaly in the State of Nevada. We are the second largest city in the state that is not a county seat. Only Mesquite in Clark County is larger than us and not a county seat. Four county seats, Reno, Fallon, Virginia City, and Carson City, are closer than the one that represents us. The railroad is the reason Fernley exists. In history, a lot of the county boundaries were created in the 1860s so counties could get some railroad revenue. We have a good relationship with Lyon County, but we have more of a nexus with Reno-Sparks and Fallon because they are closer.

Greg Evangelatos:

Two years ago we were here and the Chairwoman mentioned the issue of streamlining development and the development process. I wanted to accentuate one experience. Southwest Gas built a regional center in Fernley. Bob Brewer, the Vice President will confirm this. We got his plans finalized in 17 days. That is a \$3 million facility. Fernley is open for business. We have done the community assessment as Douglas County mentioned. We have talked to 500 of our residents. We are in the process of compiling those results. The Mayor has outlined our community quite well. We are here to work with the Legislature through the session. Just contact us for any service we can provide.

Assemblyman Goedhart:

With that irrigation canal, is there something this committee can do that would speed up the process of getting that canal analyzed and fixed? It is one thing to talk about jobs and bring new businesses into Nevada, but even more incumbent to allow existing businesses and people to still be able to make a living.

LeRoy Goodman:

Sir, if you have some clout with the Bureau of Reclamation, I would encourage you do whatever you can there. These are good people. The bureaucratic process is very slow to perform this common project on a relatively small canal. Right now the canal is empty for repair and maintenance work. Hopefully it will be ready by March 15 for irrigation season. It is just frustrating to be told it will be another year and half before there is a plan to fix it, not fix it then. That is 4 1/2 years. In the meantime, people still are fearful when there is water in the canal. The canal should hold 750 cubic feet per second flow but is now restricted to 350 cubic feet per second, less than half the flow. This affects the farmers and irrigators because flow impacts how far out the water will go and how fast. It has just been very frustrating from our viewpoint, the county's viewpoint, and even from the state's viewpoint.

Assemblyman Livermore:

Please expand a little on the canal issue, this time as a political issue. How long have they been working on a water agreement on the Truckee River. I think Senator Reid has been working on it his entire career. I mean the political agreements between the Truckee-Carson Irrigation District (TCID), the Pyramid Lake Indian tribe, and the water issues up and down the Truckee River.

LeRoy Goodman:

It has been decades. We have a good working relationship with the Pyramid Lake Paiute tribe. We work with the TCID on this project all the time. The canal is owned by the Bureau of Reclamation.

Assemblyman Livermore:

This issue is the challenge of how much water gets to Pyramid Lake. That is the critical issue. That is the component that is still under discussion. It is not the engineering component.

LeRoy Goodman:

You are referring to the Orr Ditch Decree of 1944. There is a guarantee that there is so much water going into Pyramid Lake. This is part of the Desert Terminus Bill that Senator Reid championed through Congress a few years ago. There are so many guarantees there and they are looking to buy up more and more water for Pyramid Lake. I cannot say this is a threat, but it is something we have to deal with and work with. The federal government gives the Pyramid Lake Tribe money to buy the water, which the federal government told them they would have in 1905.

Chair Kirkpatrick:

I have been working with the water engineer and we will be having an extensive history lesson from 1905 to where we are today. I actually attended a three-day class so we could do this. It would be better to wait until that time. They can learn every aspect of how it works in the north.

Greg Evangelatos:

One detail going back to Assemblyman Ellison's question on the damage, we have at least \$1 million of the cost to the public that was never reimbursed by FEMA.

Assemblyman Ellison:

Did the Department of Emergency Management get involved? Did they give financial aid?

LeRoy Goodman:

They came out very quickly. Every agency responded immediately. One final comment, our assessed evaluation in the City of Fernley was \$755 million three years ago. This year it is \$437 million. That equates, at our \$0.35 tax rate, to about \$1.1 million less ad valorem tax. We have lost 25 percent in just our ad valorem tax. It is a tough challenge but we will make it.

Chair Kirkpatrick:

Fernley does put out the very best newsletter. I have been following it now for four years. They were one of the first cities to do it. [Recess called at 10:58 a.m.]

[Committee called back to order at 11:15 a.m.]

Assembly Bill 10: Revises provisions governing certain funds and the destruction of public records. (BDR 33-441)

Michael E. Fischer, Director, Department of Cultural Affairs:

We are here in support of Assembly Bill 10. It is basically a clean-up bill for the Department of Cultural Affairs. It allows interest and income on the Gift Fund for the Nevada State Library and Archives to be credited to the Fund. It eliminates the Fund for the support of the Division of Museums and History which was emptied in some of the previous sweeps to help balance the state's budget in special sessions. It also revises the requirements for saving images of public records before they may be destroyed. The real net is a change from *cannot destroy unless* to *cannot destroy before*. It is not really a change. It delineates exactly what the quality of microfilming should be. We are here to answer questions or fill in any blanks that we can.

Chair Kirkpatrick:

I do have a question on section 1. Where does the interest currently go?

**Daphne O. DeLeon, Administrator, Nevada State Library and Archives,
Department of Cultural Affairs:**

Our understanding is that, the way the Gift Fund is currently defined, it earns no interest.

Chair Kirkpatrick:

So does that mean you have to change the way your accounts are set up?

Michael E. Fischer:

I believe that it earns interest, but the interest does not accrue to the account. In other words, the money is fully invested, but the interest goes into the General Fund. This being a Gift Fund, which was set up specifically to benefit the State Library and Archives, they would have to use the principal and not the interest. Accruing to that fund will allow them to keep the principal and use the interest.

Assemblyman Livermore:

Is that Gift Fund something at the door or actually gifts given to you with restrictions on the use of that money?

Michael E. Fischer:

It is money that is gifted specifically to the Library. I know that they on occasion will receive specific bequests from estates. I do not know that we have a donation box.

Daphne O. DeLeon:

There is no donation box. Many of our donations are specifically from individuals. Sometimes someone requests a quote for a reproduction and they add a little money, which they specify in their documentation is to be deposited in the Gift Fund. It is restricted to be used by that program.

Assemblyman Livermore:

A lot of times people bequeath not only the principal but the interest as well. How would you separate the gift money from the interest?

Michael E. Fischer:

I do not believe at this time we are capable of doing that. We deposit the money with the State Treasurer. They have the amount of principal, but have historically swept the interest into the General Fund.

Assemblyman Livermore:

Could any gifted money be in jeopardy of being returned to the individual that bequeathed it?

Michael E. Fischer:

Not to our knowledge at this time.

Assemblyman Goedhart:

What is the amount of interest? You must see a financial benefit to push this bill through? How much is it for a budget cycle through a two-year period?

Michael E. Fischer:

According to the Administrator of State Libraries and Archives, we do not know the amount of money that is in there because we have not followed it closely because we did not earn the interest. However, we will follow it very closely going forward. It is a relatively small amount in the hundreds of thousands. I think we had a \$100,000 donation recently that increased our interest.

Assemblyman Goedhart:

Have you talked with anyone from the Governor's administration about what impact that would have on their budget or the assumptions they made in developing their budget?

Michael E. Fischer:

The answer to that question is no. But I think it is so small, given the interest rates and the small amount of principal, that it would be a minimal effect.

Assemblyman Ellison:

If you do not know how much interest has accrued, and you have not talked to the Governor's office to find out if this money has been included in the budget, why would you create a bill before you know that?

Michael E. Fisher:

The bill was processed through the Governor's office with their acceptance. We have a record of how much money is in the account but I cannot tell you what that is right now. At one-half of a percent interest on \$100,000 the math is not significant to the General Fund.

Chair Kirkpatrick:

I think that in the section that was repealed on the last page, it does talk about if it exceeded a certain amount of value. I think it has been a long time since we have done this, possibly before 2000.

Daphne O. DeLeon:

That last section of A.B. 10 deals with a different gift fund which is the Museum Gift Fund. The Nevada State Library and Archives Gift Fund is monitored by the state budgeting process. Every year we do note how much is in there. Because it is a gift fund, it is restricted to specific uses within the programs and the Governor's office is well aware of that. We have not been documenting interest earned because we have not been able to accrue it back so it does not show up in our budget. We are not prepared at this moment to give you exactly what the amount is. I have it at the office and I could certainly send it to you.

Michael E. Fischer:

Just for the record, the museum fund is not a gift fund. It was, in better times, legislatively approved money. That was swept. No funding has been added for a period of time making it seem prudent to eliminate the fund until better times.

Assemblywoman Pierce:

How do museums get funded if not through this fund?

**Peter D. Barton, Acting Administrator, Division of Museums and History,
Department of Cultural Affairs:**

Museums receive their funding from three sources at present: General Fund, transfers from the Commission for Tourism, and through a private trust fund. The account that section 7 of this bill would repeal was established by the Legislature before 2000 and had a principal amount of \$300,000. The interest that accrued from that, which in good times was between 5 and 7 percent a year, was used by the Division primarily to market museums, to print and distribute brochures, and for marketing materials for museums to increase attendance and community vitality. During the peak of the recession in 2008, the fund was swept back to take care of other General Fund obligations. To avoid reporting to the Interim Finance Committee on a fund that does not exist, we would like this repealed.

Assemblywoman Pierce:

This is not where the General Fund money for museums goes then?

Peter Barton:

Exactly.

Chair Kirkpatrick:

Are there any other questions? If you could get that information to us soon, that would be helpful to the Committee members. Is there anyone else who would like to testify in support? [There was no response.] Is there anyone in opposition to A.B. 10? [There was no response.] Is there anyone who is neutral? [There was no response.] We will close the hearing on A.B. 10 and open the hearing on Assembly Bill 70.

Assembly Bill 70: Revises provisions governing the purchase of motor vehicles by the State of Nevada. (BDR 27-429)

Keith Wells, Administrator, Nevada State Motor Pool, Department of Administration:

This bill, Assembly Bill 70, changes language based in *Nevada Revised Statutes* (NRS) 334.010. The primary focus on this bill is to transfer the authority for approval of the purchase of state vehicles from the Board of Examiners down to the clerk of the Board of Examiners. The reason is to speed up that budgetary process. Those approvals already go through the state budget process and the legislative process. It does not need to go to the Board of Examiners. The clerk is sufficient.

Also there is some language we want to remove. We want to remove the wording *automobile*. It is antiquated. We want to change it to motor vehicle.

There is some additional antiquated language in there that requires all state vehicles be painted with the words "For Official Use Only, State Vehicle." That is very antiquated also. All those requirements in that statute for the labeling and identification of state vehicles should be placed in the *Nevada Administrative Code* (NAC).

Assemblyman Goedhart:

Currently all state vehicles have to be labeled "For Official Use Only?"

Keith Wells:

Currently NRS requires that all vehicles be labeled "State of Nevada For Official Use Only." It actually requires to be painted on the vehicle.

Assemblyman Goedhart:

Are we following that currently?

Keith Wells:

No. They are labeled with it currently, but it is on the license plate frame and there is a sticker in the window.

Assemblyman Goedhart:

But it is not painted on the door? Currently it is not happening.

Keith Wells:

For resale value you would not want to do that.

Assemblywoman Pierce:

Why is that antiquated? Why is it not a good idea to have vehicles marked as state vehicles?

Keith Wells:

State vehicles are currently marked state vehicles and we do not want to change that. What we want to change is that from a physical standpoint it is a bad idea to paint the language "State of Nevada For Official Use Only" on a vehicle for resale value. When you go to resell that asset, you will lose money. We want to continue to do what we are doing. The state vehicles have "EX" license plates. They have stickers in the windows that say "For Official Use Only" and the license plate frame says the same thing, "State of Nevada, For Official Use Only."

Assemblyman Anderson:

With this language, the State Board of Examiners can use its discretion whether it wants to allow its designee, correct? They can choose who they task to do that, correct?

Keith Wells:

Correct. This bill gives the Board of Examiners the authority to transfer their authority to the clerk.

Assemblyman Anderson:

They can pull it back if they want as well?

Keith Wells:

Yes.

Assemblywoman Flores:

I just wanted to be clear as far as the budgeting process is concerned. It is already approved that you can purchase say ten cars per year. In addition to that you currently would have to go through another process to have the approval of the Board of Examiners. I do not see how you simplify the process by sending it to another entity. Can you explain the process after the budget has been approved?

Keith Wells:

I will give you a summary of how the whole process works. As agencies build their budget request, it goes through the "Governor recommends" phase so it is approved at that level. Then it comes here and is approved at the legislative level. Before they are allowed to expend those funds, it has to be approved by the State Budget Office. That is the third approval level. Then they have to go to the Board of Examiners and get a fourth approval level. It is really redundant.

Assemblywoman Bustamante-Adams:

You mentioned that by transferring this responsibility to the clerk it would speed up the process. What time frame are you talking about?

Keith Wells:

The Board of Examiners only meets once a month. It has to be presented to them one month prior to that. With the current state contract process to purchase vehicles, there are really only windows of opportunity to buy state vehicles. The contracts are open all the time but the manufacturer only allows the purchase of those vehicles during certain months of the year because they build those specifically for government entities. The clerk can do that approval at any time. It does not have to wait for that monthly meeting nor be presented a month prior to that meeting.

Assemblyman Goedhart:

Do we have one purchaser for the state that handles all vehicle purchases? In other words, you would get approval and it would go through a purchasing office which would aggregate all the purchases?

Keith Wells:

Currently in the state there are approximately five managed fleets. That fleet manager makes that decision. Those fleets are the Department of Transportation, State Motor Pool, Highway Patrol, Department of Corrections, and Forestry Division. The agencies that operate outside of those divisions make those decisions internally. There are multiple people throughout the state making purchasing decisions.

Assemblyman Goedhart:

Making their own deals and making their own purchasing decisions. It seems to me that by having one purchase that they could make better deals. I used to work in the car industry so I am aware of how that goes.

Keith Wells:

Currently we have established contracts statewide. Agencies are limited to what they can do. But I do agree with your thought process. There should be someone with fleet management experience making that financial decision.

Assemblyman Ellison:

During orientation, when we met with some of the departments, they said there were many vehicles out there that were not being used. They were looking at gathering them up and either auctioning them or putting them in an area that would be used. I think there should be one person to oversee that so there are not vehicles all over the place that are not being used. As far as the detailing of a vehicle, was that not put on there for a reason because they were misusing the vehicles. That is why that official use decal was put on there where it could be seen by the public at large. Now with the new nylon decals, they come right off with a hair dryer. I do not think that would lower the value of the vehicle.

Keith Wells:

Currently the vehicles are labeled. It is a streamlined process to remove those graphics from the vehicles. Currently, NRS 334.010 requires it to be physically painted on the vehicle. We are not suggesting removing any official markings. We are just asking to do it in a different manner.

In regards to the under-utilized vehicles, the Budget Division has targeted those vehicles. They will be evaluated for reallocation or sold. That process is in place.

Chair Kirkpatrick:

I can tell you this much. Anytime you delete everything and say that you are already doing it without following the rules, it raises some concern.

Assemblyman Livermore:

I would like to hear from someone in the Purchasing Department about the process of purchasing vehicles. I am trying to find the trail. I am not quite sure how the communication thread connects. I am confused about that. I am not quite sure what is most important, the painting or the thread of the approval process.

Keith Wells:

The bill addresses two completely different issues: 1) who authorizes at the Board of Examiners to approve the purchase; 2) placarding the vehicle. Placarding the vehicle should not be in statute. The state should have the authorization to internally manage and change the rules anytime it wants

through the NAC process. All changes to the NAC have to go through the Board of Examiners. There are the checks and balances for that.

This is how my budget process works as a fleet manager. I forecast how many vehicles I need to purchase for each fiscal year. That is presented through the Governor's recommended budget phase, reviewed by budget analysts. Then it goes to the legislative phase, reviewed by the legislative panels. Prior to spending any money, I must get my budget analyst's approval at the State Budget Office. There are all those checks and balances in place. By the time I actually sign the purchase order to purchase that vehicle, it has been seen by many different people. The State Purchasing Division has really good contracts in place. I work closely with them on some of those contracts. We review the needs of the division, the historical cost of each vehicle, the relationship we have with the agency, the manufacturer, and the dealer. We use a methodology to decide what to buy. It is an in depth process for most fleets.

Assemblywoman Benitez-Thompson:

Since the labeling of the state vehicles is desired, would it make more sense that instead of deleting section 3 to just remove the language from line 24 where it says "by painting the words?" If we took out the language regarding painting are you fine with keeping the mandate for the labels on the vehicles in place?

Keith Wells:

I am fine with that.

Chair Kirkpatrick:

There has to be consistency across the state agencies. That is part of our problem. That is where we are today. Especially with term limits and new people coming on, we have to have some consistency so people know what to expect. I personally do not believe that the state agencies should be able to do whatever they want. Assemblywoman Benitez-Thompson raised a good point. Maybe in statute there should be just an official marking of some kind and not limited to just the license plate going forward. Also it will be helpful once we have heard from purchasing on how the process works. Quite frankly I do not see us buying any new cars in the next few years and if we are I would like to see that part of the budget. The Governor is responsible for all those contracts which is the primary reason all those contracts go before the Board of Examiners. It is not the clerk's responsibility to make sure that those contracts are right. There was a Board of Examiners meeting just the other day. There is anywhere between 5 and 50 contracts on their agenda. Since the Governor is responsible for those contracts, he should have a bit to say on them.

We have policies and procedures in place for the Governor. If something goes wrong, the public does not go to the clerk's office, they go to the Governor's office. We need to be mindful of that. There is more discussion to be had on this.

Keith Wells:

To give the Committee a little background, we formed a fleet committee in September 2009. That committee has representatives from almost every department in the state. The role of that fleet committee is to review all policies in place for state vehicles, to educate state agencies in the management of vehicles, to ensure that the state is uniform in how the vehicles are managed, and to update all the state's policies. The span of control is significant. We are not allowing anyone to just do what they want. The majority of the state vehicles are under the control of a fleet manager. From a fleet manager viewpoint, I want to see good controls in place. I want to see fleet managers operate efficiently. I want to see these policies be efficient through the NAC.

Chair Kirkpatrick:

We all want efficient government. We need purchasing to come before us. Greg Smith will get an email from me shortly so he can explain it to the committee.

Is there anyone who would like to testify in support of this bill? Is there anyone who would like to testify in opposition to this bill? Is there anyone who is neutral on this bill?

Assemblyman Anderson:

While we are waiting to talk to purchasing, could you prepare something for us to start thinking about it, Mr. Wells?

Chair Kirkpatrick:

Mr. Anderson, I will be happy to take care of that myself. It is a bigger issue than what he is responsible for. I can get purchasing to send us the current Request for Proposal (RFP) process. I will ask some of the other chairs on Interim Finance Committee (IFC) how that process functions.

We are closing the hearing on A.B. 70. Is there any public comment?
[Meeting adjourned at 11:46 a.m.]

RESPECTFULLY SUBMITTED:

Sheryl Burrows
Committee Secretary

APPROVED BY:

Assemblywoman Marilyn K. Kirkpatrick, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Government Affairs

Date: February 10, 2011

Time of Meeting: 8:03 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Susan Holecheck	Presentation to the Assembly Government Affairs Committee
	D	Terri Barber	Presentation to the Assembly Government Affairs Committee
	E	Bob Crowell	Presentation to the Assembly Government Affairs Committee
	F	T. Michael Brown	Presentation to the Assembly Government Affairs Committee
	G	LeRoy Goodman	Presentation to the Assembly Government Affairs Committee