

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

**Seventy-Sixth Session  
February 18, 2011**

The Committee on Government Affairs was called to order by Chair Marilyn K. Kirkpatrick at 8:05 a.m. on Friday, February 18, 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/](http://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](mailto: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:**

Assemblyman Kelvin D. Atkinson, Clark County Assembly District No. 17  
Assemblywoman Debbie Smith, Washoe County Assembly District  
No. 30

**STAFF MEMBERS PRESENT:**

Susan Scholley, Committee Policy Analyst  
Brenda Erdoes, Legislative Counsel  
Cyndie Carter, Committee Manager  
Cheryl Williams, Committee Secretary  
Olivia Lloyd, Committee Assistant

**OTHERS PRESENT:**

Jerrie C. Tipton, Vice Chairman, Mineral County Board of Commissioners  
Wes Henderson, representing the Nevada Association of Counties  
Patrick T. Sanderson, representing Laborers' International Union  
Local 872  
Jack Mallory, representing Southern Nevada Building and Construction  
Trades Council; and International Union of Painters and Allied  
Trades, District Council 15  
P. Michael Murphy, representing Clark County  
J. David Fraser, Executive Director, Nevada League of Cities and  
Municipalities  
Cadence Matijevich, Legislative Relations Program Manager,  
City of Reno  
Ted J. Olivas, Director of Administrative Services,  
City of Las Vegas  
Mark G. Stanton, Chief Capital Projects and Facilities Management  
Officer, Washoe County School District  
Joyce Haldeman, representing Clark County School District  
Martin Johnson, Financial Advisor, representing the Nevada Association  
of School Boards  
Michael C. Cate, Private Citizen, Reno, Nevada  
Caroline McIntosh, Superintendent, Lyon County School District;  
Secretary/Treasurer of the Nevada Association of School  
Superintendents  
Carolyn Edwards, President, Clark County School District  
Board of Trustees  
Carole Vilardo, President, Nevada Taxpayers Association

Dotty Merrill, Executive Director, Nevada Association of School Boards  
Randy A. Soltero, representing the Sheet Metal Workers' Local Union No. 88

Gail Tuzzolo, representing Nevada State AFL-CIO

John Madole, Executive Director, Nevada Chapter, The Associated General Contractors of America, Inc.

Alison J. Turner, President, Nevada Parent Teacher Association (PTA)

Michael Skaggs, Executive Director, Commission on Economic Development

Mike Ingram, Director, Supply Chain, EP Minerals, LLC

Matthew Booher, Director of Information Technology, Griffin Global Logistics

Michael Dayton, representing National Association of Industrial and Office Property, Southern Nevada Chapter

Somer Hollingsworth, President and CEO, Nevada Development Authority, Inc.

Mike Jordan, Director of Transportation Management for Ozburn-Hessey Logistics, LLC

Robert Skinner, President, RMS Commercial Real Estate and RMS Development, LLC

**Chair Kirkpatrick:**

[Roll was taken.] Please mark Assemblywoman Flores and Assemblywoman Neal when they arrive. Today we do have a hectic day, so at 9 o'clock we will hear Assembly Bill 183. Assemblywoman Smith has to come from another meeting. After that, we will hear Assembly Bill 182. We may have to take a short break.

We will invite Mineral County to give its presentation.

**Jerrie C. Tipton, Vice Chairman, Mineral County Board of Commissioners:**

I always like to begin a discussion on Mineral County with a map ([Exhibit C](#)). This map gives everyone an idea of not only where it is located, but why Mineral County is where and what it is. What you see when looking at this map is that Mineral County has a total area of 4,019 square miles. If you take into consideration the Bureau of Land Management (BLM), the United States Forest Service (USFS), the Department of Defense (DOD), and the Bureau of Indian Affairs (BIA), 96 percent of Mineral County is under federal management in one form or another. It is a challenge.

In front of you ([Exhibit D](#)) is basically the structure of the government, which is three county commissioners, eight other elected positions, as well as various

departments and boards and commissions. I had my elected officials put this together with a brief description of what they are responsible for.

For example, the clerk/treasurer has been tasked with being the social services administrator. The social services administrator is responsible for providing and administering indigent services to county residents, room tax administration, passport acceptance and grants administration for county-sponsored grants. We have really had to consolidate every department over the past 15 or 20 years. The fire chief in our Mineral County Fire Department is our only paid employee. The chief sits over the fire departments of Hawthorne, Mina, Luning, and Walker Lake. He also is the ambulance "god". We had a truck blow down about two months ago, which is a common occurrence in Mineral County. It blew over just north of Hawthorne. The fire chief was the only one on duty; he had no volunteers on duty with him. So he and his wife, who happens to be the county nurse, took the ambulance. The chief called the Hawthorne Army Depot and the Depot brought the fire and rescue trucks. We have done a lot of consolidation.

We do not have a social services department, so for Mineral County there is a nonprofit group called Consolidated Agencies of Human Services (CAHS). They do all the things like the food bank, rescue, and transportation out of town. We do not have a bus that goes through Hawthorne. This falls on our senior center. Consolidated Agencies of Human Services is supported with some tax dollars and Payment in Lieu of Tax (PILT) money, depending on how much we have at the end of the year.

I have included revenue sources for fiscal year (FY) 2011. This is not exactly correct, because we just got the budget yesterday. Basically, this is about what it is. Miscellaneous is about 3 percent, fine and forfeits countywide are about 4 percent, other services is 2 percent, and gaming is 3 percent. Transfers in from other sources, which is our PILT monies and other grant funds, is 8 percent. Property tax is 31 percent, net proceeds are 1 percent and our consolidated taxes are 48 percent. This is our revenue for our general fund.

Do you have any questions?

**Chair Kirkpatrick:**

We are going to let you go through your presentation because we typically ask a lot of questions.

**Jerrie Tipton:**

Our eight elected officials are the clerk treasurer, the recorder/auditor, the assessor, the district attorney, the sheriff, the justice of the peace, the constable, and the public administrator. This last position is currently vacant. We are in the process of appointing one. Mineral County Public Works performs all vehicle maintenance, building maintenance, grounds keeping, and they are the road department. They are also the airport manager.

Hawthorne utilities are water, sewer, and garbage. We have two libraries—one in Hawthorne that is open five days a week, and a branch library located in Mina that is open three days a week.

We have two senior centers in Mineral County the one in Hawthorne is open five days a week, and the one in Mina is open three days a week.

We also have a museum, public health nurse, fire department, department of energy, juvenile probation, juvenile detention, and a building department.

The clerk/treasurer statutorily does all the functions of the county clerk and county treasurer: registering voters, overseeing elections, serving as clerk of the Fifth Judicial Court; clerking the board of commissioners; and providing all administrative functions to the board. The clerk's office issues marriage licenses, provides notary services, processes applications for fictitious firm names, processes payments for cemetery plots, maintains the database of cemetery records, issues ministers' certificates, and maintains the various financial county records. The county treasurer serves as the ex officio tax receiver.

The auditor's office is also dual function.

The assessor's office keeps current all secured, unsecured, and personal property roll accounts associated with the county. It is responsible for adequate, correct appraisals of secured property along with drawings and maps, as well as developing the valuations necessary in order for the revenues to be collected by the clerk/treasurer. It is also the information technology (IT) department. One of the employees at the assessor's office is our IT person.

We have also given our district attorney's office some extra duties. The public guardian office is now in the district attorney's office, and the child support division, et cetera.

**Chair Kirkpatrick:**

Does anyone have any questions?

**Assemblyman Stewart:**

I notice that you have a railroad that runs through the county. Is it an active railroad?

**Jerrie Tipton:**

Yes it is, if you can call it that. We have agreements with the Walker River Paiute Tribe because that railroad runs right through the middle of Schurz, and at one time it was a benefit to the community to have a train run through the middle of town. The train goes to the Hawthorne Army Depot and the Depot continues to run a train four times a year from Wabuska with supplies for the Depot. Usually it is munitions to be broken down. The challenge with the Department of Defense and the Walker River Paiute Tribe is that the train will not run more than 35 miles per hour through tribal lands, and it will not run more than 10 miles per hour through town. These conditions make it challenging to get supplies on the train to Hawthorne.

**Assemblyman Stewart:**

Does the train go south of Hawthorne?

**Jerrie Tipton:**

No, it ends right at the Hawthorne Army Depot.

**Chair Kirkpatrick:**

Does anyone else have any questions? Is Mineral County one of the counties where the district attorney can have a second job when it comes to practicing law? It has to do with salaries. That is why I am asking. There are some counties where this is possible.

**Jerrie Tipton:**

Our district attorney is our district attorney and that is what he is.

**Chair Kirkpatrick:**

Okay, and that is the same for your assessor and other county employees? They do not have separate jobs.

**Jerrie Tipton:**

Commissioners can, because we are considered to be part-time employees. But as it stands now, none of us have other jobs because everyone knows that being a commissioner is a full-time job.

**Chair Kirkpatrick:**

Okay. We had a lot of discussion during the interim on wages and salaries. I learned in some counties their district attorney and assessor may have a private job, and I thought, how do you do that?

**Jerrie Tipton:**

Mineral County does not.

**Chair Kirkpatrick:**

Did you want to finish?

**Jerrie Tipton:**

I do not know if I have anything more to tell you.

**Assemblywoman Bustamante Adams:**

Can you talk about some of the challenges that you have in the county? If it takes away from your other presentation, then I can wait.

**Jerrie Tipton:**

We do have some challenges, one being that we have less than 4 percent of the land in the entire county as our tax base. Of that 4 percent, less than one-half has any improvements on the land. When you look you at this map ([Exhibit C](#)), all the little blue places are private land. The majority of that is outside the community of Hawthorne itself and the towns, Walker Lake, Hawthorne, Mina, Luning, and Marietta. Most of this outlying land is bare ground, mining claim, or 10 acres with a spring on it for some livestock operation. Over 90 percent of the taxable structures in Mineral County are on the Hawthorne Army Depot. Over 90 percent of taxable property, like equipment, is on the Depot, which is really a challenge when it comes to collecting or charging taxes. We have a mine that has been trying for three years to get into operation, but it is on Bureau of Land Management (BLM) land. At our first board of commissioners' meeting in March, the BLM is actually going to do the first public scoping meeting so we can get off the dime on the environmental assessment needed for that mine.

So yes, we learned early on how to deal with the federal government in all aspects.

**Chair Kirkpatrick:**

Does anyone else have any questions? [There were none.] We are closing your presentation and opening the hearing on Assembly Bill 42.

**Assembly Bill 42:** Authorizes a county to dispose of certain real property acquired from the Federal Government in certain circumstances without obtaining an appraisal. (BDR 20-187)

**Jerrie C. Tipton, Vice Chairman, Mineral County Board of Commissioners:**

I have sent the Committee a little history ([Exhibit E](#)). This came up for us on the airport at Hawthorne. In the mid to late 1940s the Navy built the airport in Hawthorne, and when the military's presence became almost nonexistent, the military transferred the ownership of that airport to Mineral County in 1962.

It was transferred with certain terms and conditions that prohibit Mineral County from ever doing anything with that land except leasing it on a small basis. One of the terms was if at any time in the future any branch of the military wants to use the airport for training, they do so at no cost. This is part of the reason we have so much training on the Depot in Hawthorne.

The one stickler with the terms and conditions is if at any time in the future any branch of the military wants this airport back, the county gives it back to them in 60 days. When Mineral County accepted the airport, it then came under the umbrella of the Federal Aviation Administration (FAA). We have people there that have hangars leased. They lease a piece of ground and build a hangar for their airplane, and all is good. Everyone knows that if any branch of the military wants the airport back, they have 60 days to vacate.

In the mid to late 1970s the county commissioners decided they needed a place outside the community of Hawthorne for bulk fuel storage, for bulk propane; so they went in and carved out a little industrial park on the airport land.

The Federal Aviation Administration (FAA) still sees it as all airport land, as Mineral County did not ask to do this. The county just did it. For 20 years, it was a black mark against us with the FAA because we did not ask its permission to carve out the industrial park. Since September 11, 2001, the FAA has now said that you cannot have more than a 20-year lease on any airport land.

Before, when the industrial park needed appraisals, the county would say that bare ground is \$25 an acre for the first 10 years, \$300 an acre for the next 15 years, and \$500 an acre for the next 15 years. If you are going to lease a piece of property, you are going to build a building on the property. You are not going to put a temporary building in. You are going to build a fence, and you are going to do some landscaping. The feeling at the time was, when companies are building on leased land, they cannot go to the lending institution and borrow money to build a building. So they would have to have a pocket full



of money before they lease any land to start with, because they cannot borrow money because the land does not belong to them. The land belongs to the county. At the end of their lease it all belongs to the county, including any and all improvements.

Now with the 50-year leases and 40-year leases, it was a case of, well, you have got 50 years to pay it off, and by the end of the tenth year you should have made back your initial investment on your buildings and any improvements that you may have made. These improvements cause your rent to go higher and higher. Then you can share the profits with the county, and that was the thinking behind that.

What is hurting the county are the appraisals. We had a man trying to lease three lots with a building. The state Legislature said you have to have two appraisals if it is county-owned property, and if you are going to lease or sell the property, you also have to have two appraisals.

Mineral County does not have any commercial appraisers. They come from somewhere else where land is at a higher value than in Mineral County. The two appraisals for the gentleman with the lease agreement cost the county \$12,000. He was leasing the land for \$150 a year.

We recently had one done, and we have gone to one appraisal and one public hearing. He leased 2.8 acres of bare ground, and it cost him \$5,120 for the appraisal, another \$440 for the publication of the intent to lease and the lease, and another \$200-plus for the survey. His rent for the year is \$58.

We are simply asking to amend . . .

**Chair Kirkpatrick:**

The entire county chapter?

**Jerrie Tipton:**

It could be amended to say something like, if it were acquired by the county directly from the federal government and the terms and conditions under which the land was acquired restrict the sale of that property, ever, then the county does not have to do an appraisal. The county is passing that on to the people wanting to lease, because the county does not have the extra money to pay \$5,000 for an appraiser. The airport at Tonopah is in the same situation that we are in. Commissioner Eastley says they cannot get an appraiser to Tonopah. Mineral County can at least get an appraiser to come; they just charge an arm and a leg to do the appraisal.

We want to know if there is a way that we can amend that portion of the bill, so that it does not require the county to come up with an appraisal of the airport industrial park or the airport land.

**Chair Kirkpatrick:**

I am going to give a little bit of history here. I was a freshman in the 2005 Session, and we had a legislator by the name of Mr. Sibley who actually had a bill to address all the troubles we were having at the airports across the state. People were abusing it. Somehow, I ended up working on this bill; I do not know how that happened. Christina Giunchigliani, Scott Sibley, and I were in a working group on this bill. One of the things that we discussed at length was the appraisal process. I promised that if there were still issues in the next session, I would work with everyone and come back and try to fix the bill.

We did come back the following session, and we did make some adjustments to the bill to try to make the bill a little bit easier. We found there was a lot of abuse across the state with state lands. We rented one big beautiful mansion; we leased it to a family for \$25 a month. This was unheard of. There is a lot of history behind this bill. There were a lot of reasons why we have had it. We did adjust some of what we felt needed to be fixed. This last interim, I worked with Reno and said I get that you have some issues, but here is my concern: every airport gets its land from the federal government, so this puts everything right back to where we are at.

The mayor of Carlin gave me a good tongue-lashing in 2007, and I have never forgotten it, and some day I am going to go to Carlin and introduce myself. I understand the smaller counties and what the problems are, but the issues apply to the entire state and what happens if we go back? Then there are two more years of abuse. So I wonder if you can give us a little thought process. Is there a specific size of airport lease; is there maybe a population cap? I am amenable to working with people, but I want to really know what specific types of things you are looking for, because I think you have to be clear about that so that we do not continue to have all the abuse.

I live in Clark County, and we can get land from the BLM for affordable housing; we can get land from the federal government for parks, streets, and different things. For myself, I think what you want is too broad.

**Jerrie Tipton:**

Okay.

**Chair Kirkpatrick:**

I just want to know your specifics.

**Jerrie Tipton:**

The next one is the restrictions we acquired it under. They restrict what we can do with the property.

**Chair Kirkpatrick:**

Let me give you an example: in Clark County the exact same thing happened. We acquired a piece of land; it was in the Cooperative Management Agreement (CMA) area. It was restricted. However, they waited out the time frame, they came back, they rezoned it, and then they gave it away. So, abuse happens. It is unfortunate, and I like to think of the very worst case scenario in order to do this.

It turned out that the appraiser was so-and-so's friend on the commission, so on the one appraisal would there be . . .

**Jerrie Tipton:**

Our average cost of a commercial appraisal is \$5,000. Some are \$6,000 and some are \$4,000, but over the last ten years the average we paid for a commercial appraisal on county land was \$5,000.

This is not a lot of money in Carson City and not a lot of money for doing business, but in Hawthorne, Nevada, this is a lot of money. You have your challenges of trying to get businesses to come to Hawthorne. Once they get a building built, I want an appraisal. When their lease is finished and they are no longer there and they want to rent the property from the county again, you bet your sweet life I want an appraisal. I may not be able to get an appraised value from the property in Hawthorne, but I want to know what the appraised value is.

Mineral County is land poor right now because the U.S. Army gave us Babbitt. And with Babbitt came all the issues associated with Babbitt, which is asbestos and you name it.

We had a 9-acre piece of land that Mineral County owned. It was a three-cornered piece of property with two power lines across it, and three utility easements, with water and sewer underground. The county owned it outright; it was not on the airport's land. We had to have two appraisals, which is fine. We had two appraisals, and it was the case of take the highest appraisal as your base price for a piece of property going up for auction. It is a challenge what the county is going to do with this piece of property as it is, and one appraiser appraised the property . . .

**Chair Kirkpatrick:**

Is this specifically for the airport?

**Jerrie Tipton:**

It is just the airport for Mineral County.

**Chair Kirkpatrick:**

It is just the leases on the airport hangars? Correct?

**Jerrie Tipton:**

It is the airport land. As far as the FAA is concerned, that three-cornered piece is all airport land because that is what the deed states. This little piece is where the industrial park was pulled out. The fact that the county carved out an industrial park means nothing to the FAA. I am only concerned with the industrial park. Doing an appraisal is cost-prohibitive to getting people in at the industrial park. As it stands now, if it is for hangars and they are less than a certain size, then you do not have to have an appraisal on the land.

**Chair Kirkpatrick:**

Right. We fixed that in 2007 because I was sympathetic.

**Jerrie Tipton:**

That is wonderful. This one is the same idea, because it is airport land and it is not necessarily a hangar, so the county has to have an appraisal. On this map, ([Exhibit F](#)) lot 3 and lot 4 are leased. That is where Western Central Petroleum is located, and its lease still has 35 years to run at the original terms. Lot 13 is split in half, and on one side of it is one of the propane companies, and the other side is the other propane company. Lot 12 has the GCR Tire Center building on it. Lot 18 is the concrete batch plant. Lot 17 and lot 11 are the Hawthorne Recycling Metal Company. Lot 8 is the towing service, and that is it for right now.

There is a building on lot 6, and the last appraisal we had on this lot and building was seven years ago. At the time, they told us it was worth \$1,500 a month. I am not going to get \$1,500 a month out of anyone in Hawthorne, Nevada.

It is just the airport land, and I will tell you that the gentleman who just leased lot 11, 2.8 acres, gave us a check for \$6,000, which paid for the appraisal, the publication, the survey, and two years worth of rent.

**Chair Kirkpatrick:**

Are there any questions?

**Assemblywoman Flores:**

I am completely sympathetic to the situation that you are experiencing. However, based on what the Chair's comments referred to, and being from Clark County and knowing we require checks and balances and that the possibility for abuse does exist, I am very hesitant to make this statewide and take away the requirement of an appraisal for all county commissions. With that being said, I think you have a real problem. I am not comfortable with this language, but I feel there has to be some way to work this out and make this work for your county. I acknowledge and I realize that you have a real problem, and I am sure your rural county is not the only one experiencing this problem. I think you need help, but I do not think this is the way to go about it. We do need to figure out something for you.

**Chair Kirkpatrick:**

Let me say one thing. To be consistent, if we do this for the counties, please remember there are a lot of municipal airports that we have to consider as well. I am not saying that we will not work with you, because there are some things to work with.

I have kept my word. Every session, I call Mr. Sibley every time I have to deal with this and remind him of what he left me with. I think that it is workable. I just do not know if what you want is workable.

**Assemblyman Goedhart:**

Is the industrial park still considered part of the airport property? Even for the leases, like the gentleman that had just paid the \$6,000 for the appraisal and the two years of rent, does he also fall under the 60-day evacuation period?

**Jerrie Tipton:**

Every lease, whether it is an airport hangar or the industrial park, states that, if the county so deems, this contract can be broken with 30-day's notice. Then you have 30 days to vacate.

**Assemblyman Goedhart:**

I think that, in itself, does present a different set of circumstances than most of the other airport leases around the state. At one point, you spoke of 20-year leases, and then you mentioned a 30-year lease. How many years are your leases currently on these properties?

**Jerrie Tipton:**

I will tell you the lease on lot 4 and lot 5 still has 35 years to run. Before September 11, 2001, there were no FAA limits on how many years a lease could be on airport land. Since September 11, 2001, the FAA has said a lease

can be no more than 20 years. So part of our challenge is, after we get the appraisal done how do we lease this land so tenants have a smaller lease payment for the first five years, so they can get some of the initial investment back before their lease payment goes up?

**Assemblyman Goedhart:**

So the maximum length now and on all new leases going forward is 20 years? I understand this is a big concern to your county. One of biggest problems rural areas with an overwhelming amount of federal land ownership have is to be able to have a piece of land so a willing business owner can actually put money into the business, create jobs, and drive the economic opportunity. We do need to revisit this and find a way to make this work for you, without making it so broad as to create problems elsewhere in the state.

Do you also currently have a Resource Management Plan in place that will allow the disposal of public property? For example, I live in Amargosa Valley, and we have, theoretically, 22,000 acres that are slated for disposal. Very seldom has anyone actually been able to circumnavigate the whole system and make it happen.

**Jerrie Tipton:**

Do you mean like disposal land from the federal government?

**Assemblyman Goedhart:**

Correct.

**Jerrie Tipton:**

Currently, we are slated for about 4,000 acres around the town of Mina, another 3,000 acres around the town of Luning, and section 29 west of Hawthorne. There was a gentleman five or six years ago who tried to petition all the land around Mina. He said he would pay for the certified appraisal, pay for the archeological clearance, and pay for the environmental impact statement if the BLM would put the land up. What the state BLM office told him was it could get more for land at Mesquite, so it was not ready to sell that land yet.

**Assemblyman Goedhart:**

That is what I have also seen. In the Amargosa Valley, for example, in the last third of the century we had one parcel of land that made it through the process.

**Jerrie Tipton:**

Madam Chair, I have no problem changing this. I know Tonopah has the same issue. No one wants to go out east of town to have a business at the airport, even though it does belong to county. I have no problem working around this.

We need to do something. It is so cost prohibitive for someone to want to lease a piece of land at the industrial park.

I am not saying there were not some abuses in Mineral County. Right now, I cannot lease the airport. And the only reason I was able to lease lot 11 is because the gentleman had lot 17, and it is contiguous. All we required him to do was to fence and landscape the lot because he already had a building on lot 17.

**Assemblyman Ellison:**

Is the FAA maintaining the runways at the airport right now?

**Jerrie Tipton:**

The county gets a grant of about \$150,000 a year, so yes, it is. It is such a small amount because of who and where and what we are. For the next three years, we have agreed not to spend any money. We have enough money that we can resurface the runway as well as the taxiway. We do FAA grants on a regular basis.

**Assemblyman Ellison:**

Right now, they are closing military bases and airports all over the country and using them for redevelopment for the communities. It seems like there would be some redevelopment money you could get to help the community. If you have 1,000 acres out there not being used, it seems like there should be something that can be done. It is all about working together to help the communities thrive.

**Jerrie Tipton:**

The property is county-owned, and that is a constraint, even though the county can never get rid of the property because of the terms and conditions that the county acquired the property under. I have no problem changing the language, but I do not know what language we need to use. Do we put a population cap on it?

**Chair Kirkpatrick:**

I can tell you, by the number of amendments you have, I am very nervous. I want to help you. I will try to figure out a way to do it. I do not know if tying it to the airport helps, but what is the process you plan on going through in lieu of an appraisal to make sure the public is getting best dollar?

**Jerrie Tipton:**

We would still have to do the public hearings with the intent to lease. Some of the constraints that I am working under are the process the county set up, the

price range when they carved out the industrial park, as well as the economy in Hawthorne, Nevada. Those are some of my challenges.

**Chair Kirkpatrick:**

Let me ask you this. Let me go into a little more detail, and the reason I am doing this is because I am trying to get a handle on specifically what some of the challenges are. I have seen some of the processes, and it is not always apparent to the rest of the public it was an open deal. I want to know personally from you what you envision the process being.

I have heard from people that could not get into airport leases. They were tied up for 80 years. I feel really old having the institutional knowledge on this, but this was my freshman bill. I was asked to help, and I have lived it ever since.

**Jerrie Tipton:**

If you want to lease a lot at the industrial park, because it is airport land, it comes underneath the Airport Land Advisory Board.

**Chair Kirkpatrick:**

Can you go into your airport and do pretty much anything you want to do with the land and not have to get it zoned through the rest of the commission? The airport just runs it.

**Jerrie Tipton:**

No, the Airport Land Advisory Board is an advisory board to the county commissioners. You present the board with the fact you want to lease a piece of ground to put in a hangar or you want to lease a lot at the industrial park to put a business on. That is where you go first. Currently you go to the board with your proposal and your check in hand to pay for the appraisal and publication costs of the resolution of intent to lease and the lease. These both have to be published in the newspaper. One of them is published twice, and the other three times.

You go to the board and let them know what you would like to do. The board determines whether they are going to recommend to the county commissioners to approve or to not approve. It then takes two to four weeks to come before the county commissioners. We then set a public hearing to do the resolution with the intent to lease, so we have at least two public hearings. We have one with the intent to lease; we have another public hearing, and this is where we set the value of the land.

**Chair Kirkpatrick:**

And that is done at the county commission and not on the consent agenda?



**Jerrie Tipton:**

No, Mineral County does not do a consent agenda.

**Chair Kirkpatrick:**

The rest of the state does.

**Jerrie Tipton:**

We do a public hearing, and it is right in front of the board. You cannot do a public hearing consent agenda. We do the public hearing, and then we publish the intent to lease in the paper for 3 consecutive weeks. Then we come back and have another public hearing, and that is when the county agrees to lease this piece of ground, with or without the infrastructure on it, for this amount of money, to this individual. Then we go into the lease process.

**Chair Kirkpatrick:**

I have some ideas on how we can fix this. Maybe it is a population cap or cities and counties under a certain amount. Maybe it is a reporting mechanism so we can make sure you are getting the highest and best value for your dollar, because we want you to get off the ground. Maybe we tie it to the airports that have a population under a certain amount. I am thinking now, and that is why I am asking you.

**Jerrie Tipton:**

My other land, the Babbitt land, we finally have cleaned. We finally are getting ready to sell some of that commercial land. We have gone through all the processes. Sometime in the next six weeks we have the appraiser coming on 28 lots.

You are darned right I want the appraised value on those before we go up for public auction. I have to.

**Chair Kirkpatrick:**

We want to bring you a lot of manufacturing and smaller businesses.

**Jerrie Tipton:**

We have the perfect location because we are right there off U.S. Highway 95, and the county has a really great airport that you can land a C-130 on.

**Chair Kirkpatrick:**

Does anyone have any questions? I will work with you, but I would like to hear from others that might want to testify. Is there anyone who would like to testify in support of A. B. 42?

**Wes Henderson, representing the Nevada Association of Counties:**

We are in support of the purpose behind A.B. 42. We understand the Committee's concerns, and we share some of those concerns. We believe language can be crafted for these isolated instances of airport land that are subject to recall by the federal government.

As Commissioner Tipton mentioned, it is not only Mineral County but Nye County as well, and we believe there are a couple of instances throughout the state. We are willing to work with the Committee to craft language for this bill.

**Chair Kirkpatrick:**

Does anyone have any questions? [There were none.] It might be helpful to the Committee if you could find out about any airports that did not get their land from the federal government. It would be easier to work backwards.

**Wes Henderson:**

We could certainly do that.

**Jerri Tipton:**

Madam Chair, we could possibly even narrow it down to airports that got their land from the Department of Defense. Mineral County's airport was from the Navy, the one at Austin is a U.S. Navy-built airport. I think the airport in Tonopah was an U.S. Air Force-built airport.

**Chair Kirkpatrick:**

Is there anyone else who would like to testify in support of A.B. 42?

**Patrick T. Sanderson, representing Laborers' International Union Local 872:**

It is a pleasure to speak in favor of A.B. 42 and to you. One of the checks and balances that Hawthorne has always had is the *Mineral County Independent-News*. It has been one of the most proactive newspapers in the State of Nevada. There is nothing that happens in Hawthorne that the newspaper does not get hold of. They do not allow things to go wrong in Hawthorne, and if it does, you will hear about it. If there is any way the Legislature can help Hawthorne, it would be greatly appreciated. I was born and raised in Hawthorne. It is a wonderful place, and Hawthorne is hurting right now.

**Chair Kirkpatrick:**

Does anyone have any questions?

**Assemblyman Ellison:**

Madam Chairman, are you going to work on something to help with the language in this bill?

**Chair Kirkpatrick:**

I am going to put my thinking cap on.

**Assemblyman Ellison:**

I would love to help to see if we can draft some language to bring back to the Committee, if you do not mind.

**Chair Kirkpatrick:**

I do not like subcommittees, because I think we are rushed to get to other places, but if Assemblywoman Flores and Assemblyman Ellison want to work on something to bring to me, it would be helpful. Mr. Fontaine, [Executive Director, Nevada Association of Counties (NACO)] I am going to volunteer your services because you do represent all 17 counties. I believe there is a fix.

Here is the thing. I am going to tell you all, and Mr. Goedhart and Mr. Stewart can attest to this, I have no problem bringing things back; but if I do not like it, I will vote against it. I will always bring it back to the Committee, but please remember to be consistent. We try to keep the counties and the cities equal. If you do something for the counties under a population cap, you have to do the same thing for the cities. If you open it up to all the counties, then you open it up to all the cities. That is the way I have always run this Committee.

Ms. Flores and Mr. Ellison, as you work on this please keep me in the loop, and keep what I said in your thoughts, because I would let you bring it back, I would vote against it, and I would vote against it loudly on the floor.

**Assemblyman Goedhart:**

I wanted to ask Commissioner Tipton about a couple of economic indicators in her county. Currently what is your unemployment rate in Mineral County?

**Jerrie Tipton:**

Our unemployment rate in Mineral County is right at 14 percent. That is just short-term unemployment. Long-term unemployment is about 38 percent.

**Assemblyman Goedhart:**

What percentage is actually on some sort of social program for those in economic need?

**Jerrie Tipton:**

I would have to go back to my Consolidated Agencies of Human Services (CAHS) report from last month. I am going to say that about 15 percent of the residents of Mineral County are on some kind of public assistance. Our major employer is the Hawthorne Army Depot—it is not full-time employment for a lot of people, and that is killing us. When the Depot was not closed five years ago, Mineral County should not have said, “Man, we dodged a bullet.” They should have said, “Okay, now what are we going to do to get some other industry in here?” I blame Mineral County for this.

**Assemblyman Goedhart:**

That is why it is so vital that we work with the commissioners.

**Jerrie Tipton:**

I do not care how we fix it. We just need to fix it.

**Chair Kirkpatrick:**

I know, and I am not opposed to it. Believe me, every session I try to fix something; I am just letting you know where I draw the line, because I live the abuses. Some of the smaller counties were just as big abusers as Clark County was.

**Jerrie Tipton:**

You bet they were.

**Chair Kirkpatrick:**

Is there anyone in opposition to A.B. 42 who would like to testify? [There was no one.] I cannot imagine that anyone would be opposed to this bill. Is there anyone who is neutral and would like to testify? If you have any amendments, please share them with me.

**Jack Mallory, representing Southern Nevada Building and Construction Trades Council; and International Union of Painters and Allied Trades, District Council 15:**

We are neutral on A.B. 42. We understand and are sympathetic to the needs of Mineral County, as well as other counties within the state. However, as you eloquently expressed, we are concerned with transparency and whether or not a developer is in fact reaping some type of economic benefit because of this lease arrangement. Thank you.

**Chair Kirkpatrick:**

Thank you. Does anyone else have any questions? [There was no one.]

**P. Michael Murphy, representing Clark County:**

We have provided our amendments electronically ([Exhibit G](#)). We are neutral on this bill. The Clark County Department of Aviation and Real Property Management have indicated there are some amendments we would like to see, and maybe this would solve some of the problems. One of the problems would be that the process would only apply to properties of 25,000 square feet or less.

The requirement for obtaining appraisals before selling or leasing real property would be as follows: one appraisal increases the shelf life of the appraisal from 6 to 12 months and removes the appraisal and auction requirement for leases of 25,000 square feet or less. We believe this would assist us in what we are doing, and at the same time keep the appropriate checks and balances in place and allow other counties and cities to be able to operate appropriately and do what they need to do. I am more than happy to answer any questions you may have.

**Chair Kirkpatrick:**

Are you saying 25,000 square feet or 25,000 population?

**P. Michael Murphy:**

25,000 square feet.

**Chair Kirkpatrick:**

I know that a one-half acre is about 22,000 square feet, so that will not work for Mineral County.

**P. Michael Murphy:**

Madam Chair, I think this is a beginning point. We could come to a number that would work for the other counties, and I think the key here is that we understand you have expressed concerns about abuse. We just started at 25,000 square feet; if that amount increases, I do not believe that is a problem for us. I believe a square footage requirement would, in fact, provide the language that would be in the best interest of everyone. Then it is not a county/city issue or a big/small issue.

**Chair Kirkpatrick:**

Okay. Are there any questions? [There was no one.] Is there anyone else who would like to testify neutral on A.B. 42? [There was no one.] We will bring this bill back, and we will work with you on this to try to figure out the answer. I am sure it will be an easy one. We just need to think about it for a bit. Assemblyman Ellison and Assemblywoman Flores will probably contact you, and Mr. Fontaine from NACO is going to work with them.

I am sympathetic to you, and every session I try to fix something. It used to be two appraisals; now it is one. I want you to understand where I come from.

**Jerrie Tipton:**

I know exactly where you come from, and I appreciate this. We have to come up with something, and this was my only way to figure out how to start the process.

**Chair Kirkpatrick:**

I want you to stay because the City of Reno is right behind you with their wants for the same thing.

**Jerrie Tipton:**

Okay.

**Chair Kirkpatrick:**

Thank you. We are closing the hearing on A.B. 42 and opening the hearing on Assembly Bill 68.

**Assembly Bill 68:** Revises provisions governing the sale or lease of real property by cities. (BDR 21-401)

**J. David Fraser, Executive Director, Nevada League of Cities and Municipalities:**

We appreciate all the kind words that have been said so far about leasing, and we look forward to speaking with the Committee today. I would like to take a moment to go over what the process is for bringing A.B. 68 to you. I will not take long with this. As you can see, this is a bill on behalf of the Nevada League of Cities and Municipalities. We actually have a legislative committee, which is composed of a representative from each member city, that meets throughout the interim and also during session. During the interim, the committee talks about what policy matters we should bring forward. We have a lot of suggestions that are made and a lot of things we do not bring forward. At the end of that process, the committee makes a recommendation to our board of directors as to which five bill draft requests (BDR) we will proceed with. We have up to five BDRs that we can submit, and the committee makes recommendations as to which five we should pursue. The board then adopts those five BDRs, and our job is to pursue those BDRs. During this process a suggestion was brought to us by the City of Reno. That is why Cadence Matijevich from the City of Reno is sitting next to me.

Even though it was suggested by the City of Reno, of course, it was adopted by the League. This legislation would apply to all cities in the State of Nevada, as written.

Just one disclaimer before I go over the intent of this legislation. In discussions with some members of the Committee, there were some language concerns that were brought to our attention. Frankly, we feel there are some adjustments that can be made in this language to meet our intention. If there is anything in the language that does not seem compatible with our intention, we are always glad to make those adjustments.

In terms of the comments the Chair made a few minutes ago, this, as written just applies to cities, but we are certainly always happy to add counties to the bill, if that is desirable.

Having said all this I want to indicate that our intention here is simple. On properties of fewer than 25,000 square feet which currently require two appraisals, the bill would only require one appraisal. That, again, is only for properties under 25,000 square feet. None of this is intended to affect current legislation as it relates to properties over 25,000 square feet, but it would allow for only one appraisal for those properties under 25,000 square feet. Along with that, and I want to be very clear, that does not mean there would be an opportunity for some kind of backdoor deal or that there would not be an acknowledgement of the value of the property. That is why there would still be the one appraisal. Additionally, there are requirements set forth in this proposal that indicate public noticing would take place, a public hearing would take place, and the city council would, in the end, actually adopt a resolution indicating that taking these steps and leasing the property for the value of said property to the party is actually in the public's best interest. We have taken some steps to ensure that this is a very public process. The intentions of the city council are clearly stated through a public notice and hearing process and through the adoption of that resolution. I am not sure what to cover. At this time, I would entertain any questions.

**Chair Kirkpatrick:**

Does anyone have any questions?

**Assemblyman Anderson:**

Can you give the Committee some examples of a building that may fall under this? Maybe you can provide some cases of where this would happen. That would help.

**J. David Fraser:**

City Hall would be a good example. With all the downsizing that has taken place, there is less staff, so they are using less space. They have spaces available that might be valuable to some businesses. This would be one building. There are others.

**Cadence Matijevich, Legislative Relations Program Manager, City of Reno:**

Mr. Fraser is correct, but maybe I can give a little more detail on that example. We purchased our City Hall building in downtown Reno in 2004 or 2005. At the time, we had some tenants in the building, and many of them have remained, and some have relocated since the time of purchase. In some cases, the office spaces are as small as 267 square feet. There is a cost for us to go out for two appraisals and then have to go back to the city council and then adopt a resolution stating that is in the best interest of the public to lease the space. We then have to advertise for three consecutive weeks in a public newspaper and then, at that point, it goes to public auction.

The cost for this 267-square-foot office space is somewhere between \$4,000 and \$7,000. The appraised value of the square footage of that is anywhere between \$1 and \$1.25. We have not done an appraisal recently so, you can imagine, it would take us years and years to recover the cost that has gone for that process for one small office.

We are not looking for a competitive advantage in the marketplace, but we would at least like to be competitive with the existing market. In many cases, if it goes to auction and there are no bids, then it has to go to auction again. The way the requirements are currently written are that the appraisal cannot be older than six months. Sometimes we just get through the process of getting both appraisals through the council, the notice process, the public auction, and by that time we have hit the six-month mark. We then have to go back and do the whole process again and incur the cost again. As of right now, we have quite a bit of vacant space in City Hall because it is cost-prohibitive to us.

**Chair Kirkpatrick:**

Are there any questions?

**Assemblywoman Neal:**

I just heard you say there was a time difference between when you had to have the first and the second appraisal. What was the original intent for the second appraisal? If it was personal property, and it was contiguous to something you wanted to do, what was the reason? I did not hear that.

**Chair Kirkpatrick:**

The reason there were two appraisals is because people were leasing 20-acre parcels for 50 cents on the dollar. That is the truth of the abuse. People were leasing state lands or leasing the buildings, and we wanted some real appraisals to figure out what they were worth. There was a big abuse. The citizens of Nevada lost a lot of dollars when the market was very high.



**Assemblyman Livermore:**

A lease can be offered to a lot of organizations. Was this mainly happening in the commercial area? What about a lease you might make affordable to a nonprofit organization? How would you show the benefit of that nonprofit organization or the market value at what you would be leasing?

**Chair Kirkpatrick:**

In 2007 we did address the issue of the nonprofits. They have to show a benefit to the community. I believe last time it was the City of Henderson with a homeless youth shelter, and that was a good public benefit.

I would say I committed to the City of Reno on 25,000 square feet. In light of the Mineral County bill, we may have to revisit and work both bills together. The reason I said 25,000 square feet is I know, in the cities, the airport hangars are the biggest and best thing that everyone wants to touch. Those typically are on one-half acre parcels, which is a little over 23,000 square feet. But it would allow for some of the other city buildings as people are consolidating their efforts. It would allow for some of the different functions they had out there. I did commit to work with you. I promised I would.

On page 3, line 7 of the bill, the one appraisal you are getting now is changed from zoning to fair market value. Fair market value is a big difference from zoning. Why did we make that change? I did not commit to that.

**J. David Fraser:**

Sometimes, the zoning of a property may not reflect the current use of the property because sometimes zoning is done after a use exists on a parcel. Sometimes, zoning is put in place after a current use exists and is allowed to stay as a legal nonconforming use, typically under zoning law, until such time as it is not used for that purpose for a period of time. Then the zoning laws apply to all future uses of that. So there could be a time when there is a property used for a lower-valued purpose than the zoning would indicate because it is a legal nonconforming use; and in that case, the market value would be less than the value if it were appraised according to its zoning.

**Chair Kirkpatrick:**

Just from my perspective, I did not commit to that, and I do not like it. That is what got us into this trouble to begin with. That is why we changed it to the other way. That has never been an issue before because the point is typically that you are going to sell things that are within commercial or industrial, because those are the types of things that local governments own. I am more than happy to work with you, but I do not think that is very negotiable.

**J. David Fraser:**

I am unaware of a circumstance that we are aiming at with this change. Again, as I indicated at the beginning of my remarks, we certainly want to make sure the language matches with our intention. We are certainly willing to work on that.

**Assemblyman Goedhart:**

In regards to that, I have had experiences where you buy a piece of property. Maybe it has a house on it and, due to a change in a master plan, all of a sudden that gets grandfathered in as a part of the commercial zone. It has been my experience that when that piece of property is appraised, the appraiser will take into account not only the current use but the use that has been grandfathered in or the use that is available. They go beyond just what that particular use of property is. They look at any type of possible future use, and that is included as part of the commercial appraisal.

**J. David Fraser:**

I do not want to argue this because I am not sure this is important to us. Again, because we are talking about leasing here and not selling, if you purchase a parcel you can do whatever is allowed under the zoning. So if it were used for a home and you wanted to build a business on it, once you purchased it, you could level the home and build your business under the zoning.

In these cases, we are talking about leasing property. I think it would probably be assumed we would be leasing the property for its current use, but there could be some exceptions to that also. Again, we need to work on the language.

**Assemblywoman Benitez-Thompson:**

With the history of abuse with property being leased from the government, is the second appraisal the only safeguard that has been put in place to try to prevent the misuse of these leases, or are there other safeguards that cities have put in place? I do not want to take away the one and only safeguard that has been put in place to try to prevent the abuse. If other things have been done, I would like to know about them.

**J. David Fraser:**

I think the primary safeguard here really is what my president, David Bennett from Mesquite, called "the political cost of doing silly things." I think one of the primary safeguards in this legislation is that this all must be done in the public eye, must be done with public notice, and must be done at a public hearing.

The city has to adopt a resolution, not only to grant the lease but actually adopt a resolution saying why the lease would be in the public's best interest.

The city council would have to go on public record and indicate why they think that it is a value to the community to pursue the lease. I think that will take out a lot of opportunities for abuse, because council members are not able to just do it and keep the reasons to themselves. They have to state it publicly. This is a matter of being smart and not wanting to be run out of office.

**Assemblywoman Benitez-Thompson:**

From the history that the Chair described with this bill, the safeguards that have been placed are that there is more public information and public hearings on the leases, or was that true in the status quo before?

**J. David Fraser:**

In most cases it was true because things that needed to be approved by the governing body, by definition, needed to be approved in public meetings. For the record, I want to say I do not think abuse necessarily was the rule. I think what is additional here is not only that there is a public hearing requirement. A public hearing is a little bit different than a public meeting. It takes place at a public meeting, but all of the council's actions take place at a regular scheduled public meeting. Normally, in most cases with our cities, it is every two weeks on a regular schedule. A public hearing, which usually takes place at one of those meetings, takes on extra noticing requirements to make sure the public is aware of what is taking place there. I think this resolution must state what they believe the value to the public is in entering into the lease. It is a very good safeguard, and that would be different than the status quo.

**Assemblywoman Pierce:**

I think everyone else is saying what I want to say, which is that even the public notice part does not give me much comfort about the part offering the property to the public for less than fair market value. I still have concerns about that.

**Chair Kirkpatrick:**

We are going to wrap this up. I am sorry I have muddied the water with the legislative history, but I just want freshmen to be able to understand that Assembly Bill No. 312 of the 73rd Session is where we started. You will hear plenty of testimony to some of the things that were going on. On Senate Bill No. 394 of the 73rd Session, Assembly Bill No. 289 of the 74th Session, and Assembly Bill No. 462 of 74th Session, we tried to make some fixes. I have always sponsored those bills to try to fix it. At least for the Committee, you can go back and follow the history and see how we have tried to adjust this.

**Assemblywoman Neal:**

This question is directed to you, Madam Chair. In the history, were there actual penalties higher than what is written in the current draft? When the abuse happened, the transaction was voided, but was there actually a heavier penalty for the abuse?

**Chair Kirkpatrick:**

There is really no abuse, so how do you get that money back? That was one of the big things. Even with the resolution, you cannot revoke the lease because it is in place. That is always up for discussion.

**Assemblyman Anderson:**

This question is for our Committee Policy Analyst. Would it be possible for the Committee to get a digest with some of the abuses that happened?

**Chair Kirkpatrick:**

I just gave you all the bills so you could do that. She is very busy, and I keep her hopping. Are there any other questions? [There were none.] Thank you very much, and I appreciate it. Is there anyone who would like to testify in support?

**Ted J. Olivas, Director of Administrative Services, City of Las Vegas**

I am here to testify in support of this bill. You heard a lot this morning, particularly about A.B. No. 312 of the 73rd Session. That was a bill that is commonly used by all of the jurisdictions, and we talk about the "A.B. No. 312 of the 73rd Session process." There was a great deal of thought put into that bill to make sure we had the appropriate transparency when we do these transactions.

What you see here today is a very specific kind of carve out. Does it apply to every transaction that we do? I think Ms. Matijevich talked about some of the situations they have in leasing properties. Sometimes, we know that in the commercial market as it is now you cannot give these properties away. So you may have to lease it for what you would really like to get in an open market, but sometimes they are not out there. That is section 1.

Going back to A.B. No. 312 of the 73rd Session, it was very, very well written. That is why it is so long to make such a minor change. Section 2 of this bill was a part of A.B. No. 312 of the 73rd Session which talks about the appraisals and the qualifications of the appraisers and how all that process works. There is a lot of detail in there.

Section 3 talks about the determination of whether the sale or lease is in the best interest of the city or county. There is a very specific process for that.

Section 4 talks about what you have to have in a resolution to declare the intent of the lease or sale, so it is very, very specific throughout the statute. I just want to remind the Committee that we are not talking about changing the entire process. We are focusing in on section 1 that Madam Chair mentioned earlier. We would be glad to assist in any way to make sure the process is transparent in accordance with A.B. No. 312 of the 73rd Session.

**Chair Kirkpatrick:**

You did say you supported this bill, right?

**P. Michael Murphy, representing Clark County:**

Very quickly, A.B. 42 and A.B. 68, for us, are somewhat interchangeable. We are in support, and we would like to have the language include counties and not just cities. We realize there may be some issues with legal on that, and that is why we brought forth our concerns on A.B. 42. If we could have counties included in A.B. 68, I think that would solve the issues we have. The bottom line is the markets were hot before and they are not so hot now. This whole process allows the government agencies to encourage the smaller businesses and to be able to do so in a fiscally responsible manner.

**Chair Kirkpatrick:**

Mr. Olivas, would you please come back up, as we have a question for you. If there is anyone who is neutral on this bill and would like to testify, please come up.

**Assemblyman Goedhart:**

Mr. Olivas, if you could, walk us through a hypothetical example of a situation in which there would be a compelling public need to sell a piece of property for less than fair market value.

**Ted Olivas:**

The intent of this bill is not to sell any property at less than fair market value. The issue on the table is the potential to lease a piece of real property and, as Ms. Matijevich mentioned, perhaps some office space within their City Hall. Maybe we have a community center and we would like one of our chambers, Las Vegas Chamber of Commerce, or the Latin Chamber of Commerce, to lease some space within one of our community centers. That is where this would apply; it is not related to the sale of property.

**Chair Kirkpatrick:**

Mr. Mallory, and then anyone in opposition, please come to the table.

**Jack Mallory, representing Southern Nevada Building and Construction Trades Council; and International Union of Painters and Allied Trades, District Council 15:**

To echo my comments on A.B. 42 again, we are concerned with the issue of transparency. This bill not only affects the lease of property, but also there are provisions that affect the sale of property and the number of required appraisals that must be made.

We are concerned about the potential for abuse and the lack of transparency that may be created by this.

**Chair Kirkpatrick:**

We are closing the hearing on A.B. 68. Assemblywoman Benitez-Thompson and Assemblyman Anderson, will you work on the city part of the bill? Check back with me, because we need to work with Assemblywoman Flores and Assemblyman Ellison on the county portion of the bill.

Let me clarify for the record, Mr. Murphy proposed amendments ([Exhibit G](#)) for A.B. 42 and ([Exhibit H](#)) for A.B. 68. With that, we will open the hearing on Assembly Bill 183.

**Assembly Bill 183:** Revises provisions regarding the establishment and maintenance of a reserve account for payment of the outstanding bonds of a school district. (BDR 30-114)

**Assemblywoman Debbie Smith, Washoe County Assembly District No. 30:**

I am here to present Assembly Bill 183. The language in the bill is very simple, but the details are quite technical. Currently, school districts are required to keep a reserve for payment on their bond debt. This bill lowers that requirement to 25 percent for counties with a population of 100,000 or more, and 50 percent for counties with a population of less than 100,000. By lowering the reserve requirement, the school districts will then be able to access some of the money now being held as a bond reserve, if the school district feels the decision to do so is fiscally prudent. You will hear different information from the districts, based on their own situations.

Let me be clear; this bill does not require the school districts to do anything differently than they currently do now, but enables them to access additional bond funds.

I would like to tell you how this bill came about. A year ago, I met with a community group in Washoe County interested in finding ways to fund improvements for the older schools in their district. As many of you know, the Washoe County School District, like all the other counties with the exception of Clark County, has no means of funding capital construction costs with anything but bond dollars. Clark County, on the other hand, does have a dedicated stream authorized by the Legislature for capital construction funds such as real property transfer tax, room tax, and sales tax.

Consequently, Washoe County and other districts, more so than Clark County, have been unable to raise the money to take care of their older schools. For example, 45 percent of schools in Washoe County alone are from 45 to 100 years old.

As we explored ways to do something about this situation, the idea of lowering the bond reserves so the districts could access additional funds came to light. A lot of research was done on this and on June 18, 2010, I placed a bill draft request (BDR) for this concept. From what I understand, the original statute was approved requiring the bond reserve, based on no actual methodology, or reasoning behind whatever the bond reserve was to be. It was a pretty arbitrary decision.

You will hear later from the bond counsel who represents the majority of the districts in the state, as well as Mrs. Vilardo. Lowering the bond reserve is a reasonable idea, especially after going through three years of a recessionary environment.

Let me be very frank about this bill and tell you it had nothing to do with the budget and everything to do with trying to ensure our students go to school in buildings that are safe and modern, like the buildings their peers attend. In fact, last fall I went on a school tour, and it happened to be jointly with then candidate Brian Sandoval. We toured together one of the oldest schools in our district, which happened to be in my Assembly district. This school was one of those designed with the classroom doors on the outside of the building. One of the things the principal pointed out to us was, once you leave the classroom, the public street is approximately 20 feet away. When the children are out the door, the street is right there, and that means anyone from the street can be in the classroom in a matter of seconds. It became obvious there were security and safety issues. There is no fence. There is no protection for the students. You will hear about the aesthetics from representatives from the districts.

There is research that shows student achievement and attendance correlate to the condition of the building in which a student attends. I think we all feel a

responsibility to achieve some type of equity in those schools. Every school district in this state has schools that are aging and in need of modernization, in addition to health and security factors.

I hope you will consider this bill on its merits, as it was intended. You will hear that in Washoe County alone as much as \$145 million could be put together for school construction that would be committed to older school rehabilitation. It is huge in the Washoe County School District for them to have access to this type of bond money.

There are many questions regarding Clark County School District's bond debt, and those questions will be answered by their representatives, who are present today. They will be able to answer those technical questions, should you have any.

I ask you to remember that the important thing about this bill is that the bill enables; it does not require the districts to do anything.

I would like to comment that these funds are funds that were approved by voters for school construction, and I believe we should act responsibly and use these funds the voters entrusted us with.

Another benefit of doing this will be the jobs created. Imagine the jobs created from \$145 million of construction work in Washoe County alone. That is a lot of laborers, painters, electricians, landscapers, architects, designers, and many other suppliers in our communities that this could get to work rapidly, if this bill were to pass.

With that, I will close. I want to let you know we have representatives from Washoe County, Clark County, and Lyon County School Districts, as well as others here to clarify technical aspects of the bill and answer any other questions you may have.

**Chair Kirkpatrick:**

Are there any other questions?

**Assemblyman Anderson:**

I just want to go on the record saying I believe this is a great concept. I am really happy to have my name on it, and I think you hit it right on. If schools are in disrepair, it is a problem. I know as well the construction trades are hurting; this is a good bill.



**Chair Kirkpatrick:**

Is there any particular order? I have four full sign in sheets of individuals who wish to testify.

**Assemblywoman Smith:**

I would like to begin by asking the Clark County School District representatives in Las Vegas to speak. We have Marty Johnson, who is bond counsel. I would like him to be one of your first speakers so he can explain any technical aspects of what this might mean. I know there have been some questions floating around out there regarding bond requirements. I also have Mark Stanton, from the Washoe County School District, and I would like him to speak to you about what this would mean for the Washoe County School District, as well as Mrs. Vilardo.

**Chair Kirkpatrick:**

Do you mind if we take the bond counsel first?

**Mark G. Stanton, Chief Capital Projects and Facilities Management Officer,  
Washoe County School District:**

I am not bond counsel. I have provided a handout ([Exhibit I](#)) that I will go through briefly. It provides you with a number of actual projects we have done in the Washoe County School District. I want to say that the school district is very much in support of A.B. 183, because it will almost double the amount of bond capacity available for us through the remainder of our rollover bond program, which expires in 2012.

We also see three kinds of benefits with A.B. 183. First, it will allow us to address the needs in twice as many schools as we currently have bonding capacity to address for the next two to three years. Secondly, it will create a lot more jobs, almost twice as many jobs created or retained in the construction industry because of the additional funding. Thirdly, and what a lot of people do not consider, right now, you get about twice as much construction work done for every dollar spent as compared to two to three years ago because of the decrease. So we will be able to get a lot more done for the dollars the sooner the money is made available to us should the bill pass.

In 2002, the voters of the Washoe County School District approved a ten-year rollover bond program. We are in the last two years of that, and it has been a successful program that we have been very, very pleased with. We estimate that between now and 2012, we will have about \$70 million in bond capacity available if we maintain our 100 percent debt service reserve account. If we are able to reduce that account to as low as 25 percent, that could make available an additional \$50 to \$75 million for construction programs.

I give you a range because right now we are not sure what level and how far we would want to go down in terms of dipping into our reserve, because we are not sure about the economy. So we like the mechanics and the way the bill is laid out. We think there is a lot of wisdom in giving the boards the flexibility to decide if they want to take it down below the 100 percent level, and in our case, all the way down to the 25 percent level, if we feel comfortable doing that. We do not have to, or we can wait a year or two to do that, if we so desire.

The other thing the bill would create with the additional \$50 to \$75 million is, we estimate, between 500 and new 800 jobs in addition to the 500 to 800 jobs from our existing \$70 million in bonding capacity.

I wanted to quickly go over the demographics of the Washoe County School District. As you know, we have been around for over 100 years. We have 102 sites. Ninety-three of those are schools. We have 1,400 acres of grounds to maintain, as well as 300 acres of asphalt. People do not think anything about asphalt, but it is pavement that requires replacement and patching and, at times, is very expensive. We have seven million square feet of building area.

As Assemblywoman Smith indicated, 45 percent of the schools in Washoe County are between 40 and 100 years old. With an old school or any type of building, you have certain challenges as well as opportunities. The challenges are basically maintaining that facility as a safe, warm, comfortable environment by just replacing existing building systems. The opportunities are that we can invest money into those older buildings to bring them up to a like condition with brand new facilities we are making, to provide the same opportunities to the students in the older schools, which are normally in the older neighborhoods, as those students in the newer neighborhoods.

This bill will allow us to have more money to address those opportunities, because the rollover bond now will provide sufficient funding to address the challenges, those being the capital renewal of existing building systems.

What I have provided to you in my handout ([Exhibit I](#)), between page 6 and page 10, are a number of examples of the type of capital renewal projects we have done through the bond program. That is basically the replacement of existing buildings systems.

The Legislature passed and approved a rollover bond option for school districts in 1998. This was good foresight, because it has provided the school district a

funding source we could plan around for a ten-year period of time. We hope we can continue beyond 2012, when our program expires.

The point I would really like you to take notice of is on page 10 of my handout. Our current estimate of those capital renewal needs in Washoe County is \$300 million over the next 10 to 20 years. We are addressing that now with our rollover bond program, but again, this is the replacement of roofs, carpets, all those things that normally wear out during the life cycle of a building. Generally, you have to replace them anywhere between two and five times, depending on the system.

The opportunities we have with the older schools are bringing those schools up to a modern condition, and it is unbelievable the impact it has on the students in those schools. When they arrive at school on the first day after we have revitalized a classroom, they feel like someone has done something for them, and they are excited, they get motivated, they get engaged. The change is unbelievable.

What I have provided to you are some examples of the things that revitalization can do. A big one is safety and security. Assemblywoman Smith spoke of the fencing out at one of the schools. That is what we are doing in revitalization projects. We are putting perimeter fencing in with controlled accesses for a single point of entry into our school, as well as replacing all the door hardware. Currently, a lot of our old schools require the teacher to go outside of the classroom to lock the door to get back in during a lockdown. Thirty years ago, this was not an issue. Today, obviously, it is.

Improvements to the learning environment occur when we go in and totally gut those classrooms and put in new plumbing fixtures, new carpet, tackable wall surfaces, new technologies, and make those schools modern-looking. If you were to go into one of our 60-year-old schools that have been revitalized, the classroom looks like a classroom we built in one of our newer schools.

The other thing is special places and spaces for students in a different type of delivery of education, for example, career technical, computer labs, and things of that nature. Again, on page 13, I want to point out that our assessment of revitalization needs throughout the district for our 93 schools is \$350 million.

We right now have a need for \$650 million. As I indicated, our current bond program is going to provide us with about \$70 million through 2012. With this bill, we will more than double the amount of money available to us.

I have also provided to you some opportunities for us to use this additional money that would be provided through the bill for security upgrades: single-point controlled entry into our classrooms; perimeter fencing; security cameras, which we find reduces the graffiti at the schools tremendously; as well as the door hardware I mentioned earlier. We can bring up the learning environment with classroom revitalization. There are a number of pictures in my handout of things we can do with window replacements, flooring replacements, sink replacements, cabinet replacement, replacing the old chalkboards with the new whiteboards, and technology improvements in these schools. We can bring in state-of-the-art connectivity to each classroom with interactive whiteboards, which have phenomenally increased the performance of the students, so they are able to engage in the curricula.

With that, I conclude my testimony.

**Chair Kirkpatrick:**

Does anyone have any questions?

**Assemblywoman Bustamante Adams:**

I believe in the concept. My question is, when do you determine that a school is too old to revitalize and just needs to be torn down and rebuilt from the ground up, because 100 years is a significant number of years?

**Mark G. Stanton:**

We normally do an assessment to see just how much money is required to bring the school up to that level compared to the replacement cost of the school. Generally it is around 50 percent to 65 percent of your revitalization cost, or you will do minor things up to that point. We have not had the luxury of even considering school replacement in Washoe County because our funding source has not been sufficient to maintain our existing facilities, build new facilities at the time we were growing, as well as replace the older schools.

We are now in a position where we are able to have more money available for revitalization of the old school, but we are taking a more serious look at the replacement of schools.

**Chair Kirkpatrick:**

We are going to southern Nevada, but while we are there, I would like the people from northern Nevada to please come up to the table and be ready to testify.

**Joyce Haldeman, representing Clark County School District:**

We are here in strong support of A.B. 183. It is interesting from the Clark County School District perspective because we will not take advantage of this bill in the near future. We might possibly take advantage of the bill in five to ten years, but nevertheless, we stand in support of the bill.

There are other proposals out there related to the use of the debt reserve fund that we have taken positions in opposition to. I want to clarify the difference. The reason that we support this particular bill and do not support the other proposal is that, first of all, this is enabling legislation. Assemblywoman Smith speaks about it. It simply gives permission to the districts to utilize the reserve funds in a different way if, in fact, it is financially prudent for the districts to do so. As I said, for the Clark County School District, this is not a possibility. Our debt reserve funds have been committed and will be used to pay down the debt over the next five years. In fact, without the debt reserve funds, we would find ourselves in a position where we would have to do extreme measures in order to cover the debt. The enabling legislation would help us. As the conditions improve over the years and perhaps if our projections are conservative and things turn around, then it would provide a margin we could then use for school construction. We would appreciate this very much.

The second reason we are supportive of this bill is because it requires the funds to remain in the school district's construction program. We feel very strongly that when the voters approved this bill, the revenues we put together in 1998 for our building program were meant to be for school construction. So the fact that these monies would stay in school construction is very important to us.

You heard a lot of testimony from Washoe County School District on how they would use their construction dollars. I can tell you Clark County is very much in the same position. A lot of people think that because the growth in Clark County has slowed down, we no longer need school construction. I will tell you that is simply not true. Of our 357 campuses, one-third of them are 40 years old or older. Once you get to the 40-year mark in a school, you have to start to look at major systems, and you have to start considering how much money do we spend on repair and when do we start looking at replacing. Clark County School District's bond oversight committee has identified \$4.9 billion of work that needs to be done on our existing schools over the next ten years. That is a staggering amount, and without taking those steps needed to keep our schools in good repair, they will continue to deteriorate and provide environments not conducive to learning.

We are very much in need of this money, very much in need of on-going rehab projects in the school district. We have a complicated formula we use to decide when we are going to replace schools instead of continuing to repair them. There is an indicator called the Condition Facility Index (CFI), which we utilize to help us make the determination of which is the best way to go. With the recent building program we have been conducting, we did replace ten of our existing older schools. Once the CFI reached a certain point, it was smarter to replace than to continue to repair. They are beautiful campuses.

We have also used a method we call phase replacement, where systemically we have gone through and replaced different portions of the school. When we finish, the campus is brand new. We do this so students can continue to attend the school while the work is being done.

The facility needs we have in our older schools are getting to a critical point, primarily because we have gone through the budget cuts over the last few years. Funding for our maintenance programs has been reduced, and when you defer maintenance, you see it in the condition of the school buildings.

We stand in strong support of this bill, and we look forward to the day when our economy might improve enough that we would be able to take advantage of it. I do not expect Clark County School District will benefit from this bill for at least five years. Nevertheless, if the time comes, we like the enabling nature of this language that would help us.

**Chair Kirkpatrick:**

I am going to ask Mr. Johnson to speak, and then we will see if there are any questions.

**Martin Johnson, Financial Advisor, representing the Nevada Association of School Boards:**

I have been asked to talk about what the impact would be on the school districts if A.B. 183 passes. I have provided some information to the Committee ([Exhibit J](#)).

As mentioned, this bill will give the option to the districts to utilize resources in their debt service reserve account in order to fund capital projects. The immediate impact will be to districts that currently have rollover bonds outstanding. That lists includes Carson City, Churchill County School District, Douglas, Humboldt, Lyon, Nye, Pershing, Storey, Washoe, and White Pine Counties. To varying degrees, all of those districts would have money freed up if they chose to use it for capital projects. Some of those districts may chose to leave the money in their debt service reserve accounts in order to make

payments on bonds, like the situation Ms. Haldeman just described for Clark County School District. Others, like Washoe County School District, may be interested in taking the money and using it to generate funding for capital projects.

The school districts will be able to access that money in different ways, depending on what time frame their rollover questions were approved in. For districts that have had voter approvals since 2008, they have a pay-as-you-go component in their rollover where they can take the revenues that are available over and above what is needed to pay debt service and what is needed to maintain their debt service reserve accounts and transfer it to capital projects and do pay-as-you-go. They do not have to borrow that money. Those districts include Carson City, Churchill, Douglas, Humboldt, Pershing, and White Pine. Lyon, Nye, Storey, and Washoe Counties would have to take the money and use it to prepay debt or pay down their debt in order to free up room in between the property tax revenues and the amount they pay in debt service. By freeing up that room, it would allow them to issue new bonds which generate the funding they would use for these capital projects.

Again, varying amounts of money would be freed up in different districts. Many of the districts have not decided exactly what this money would be used for, but \$400,000, in some of these rural districts, can do a much-needed project where there are no other funds available to do these projects.

To reiterate something that Ms. Haldeman said, this keeps this money with the voter intent that was given when these election questions were approved over the last eight to ten years. It is also a very important part of what these districts are looking at in terms of A.B. 183. With that, I would be happy to answer any questions.

**Chair Kirkpatrick:**

Are there any questions?

**Assemblyman Stewart:**

Would this affect the bond rating of the school district in the long run?

**Martin Johnson:**

It is not my opinion that this would have any impact on the district's bond rating. When we did traditional questions on the ballot, different than rollover where the voters just approved an amount of bonds, often the amounts in the debt service fund were 25, 30, and 40 percent of the next year's debt service. There was not a distinction. We recently sold bonds for Carson City School

District. We discussed this idea with the rating agencies, and they did not adjust the district's bond rating at that time.

**Chair Kirkpatrick:**

Are there any other questions? [There were none.] I would just say that is how I met Ms. Haldeman, and that is also about the first time my husband almost killed me, when I went on the campaign door to door to beg the voters to build schools in Clark County, so it was a lot of work to get it there. Thank you both for testifying. We will now move back to northern Nevada, and we will start with Mr. Cate.

**Michael C. Cate, Private Citizen, Reno, Nevada:**

For the last seven or eight years, I have been fairly involved in the education system in our county. I am one of the founding board members of Academy for Career Education (ACE) High School. I am sure some of you are aware of that.

I am taking a different tack on this bill. There are issues in both directions, and I took the old-fashioned way and took a piece of paper, drew a line down the middle, and wrote the pros and cons of this bill. I guess the only reason you would be against this bill is because the same monies are in the Governor's budget.

The reason to be for this bill is it is a capital funds bonding situation where those funds are set aside to go to the school district for buildings. Taxpayers voted on it; it is something we in Washoe County voted on, and it was to be put back into the buildings.

As I went through the list, I got down to No. 15 and then I got to thinking about it. There are really 63,000 reasons to vote for this bill, and they are the students in Washoe County. Everyone seems to forget about the students. These schools need to be repaired, and they need to be a good learning environment for these students. Students learn differently today than we did when we were in school. The schools that were built in the 1960s just do not cut it. The chalkboards, the chalk, learning the old-fashioned way, is not what the students need today.

I respectfully ask you to consider this bill and do it for the right reasons, which are the students. Thank you.

**Chair Kirkpatrick:**

Does anyone have any questions?



**Assemblywoman Benitez-Thompson:**

I just wanted to thank you for your comments and for your passion. I am a parent who has two young children who are about to go into schools that are over 40 years old and are going to be close to 50 years old when they enter school. I share your concerns, especially about security for my children once they enter these schools.

**Chair Kirkpatrick:**

I am going to let Ms. McIntosh start. While she is speaking, Ms. Vilardo, would you come up to testify.

**Caroline McIntosh, Superintendent, Lyon County School District;  
Secretary/Treasurer of the Nevada Association of School  
Superintendents:**

I come today on behalf of Lyon County School District. I did submit this very small packet ([Exhibit K](#)) that gives the demographics of Lyon County School District. We are the fourth-largest school district, with 8,500 students and 20 facilities. Our school buildings range back about 61 years, and that building is our oldest.

As you probably are well aware, we have the highest unemployment rate in the state at 18.5 percent, and we are the third most-stressed county in the nation. Employment is a big issue for us. We want to keep our families working.

We have five geographically unique attendance areas, so we do not have any schools that are the same type or size. Our buildings are small; some of them go from 200 students to 1,000 students. We have small buildings, and we are trying to provide the same educational opportunities for our students that a large building can afford more readily.

We have the additional unfortunate circumstance of having a declining enrollment. So we have had to lay off teachers for the last two years, and we anticipate that again this year.

We are very tight on our funding. This piece of legislation, A.B. 183, would give us the option, at our school trustees' discretion, to free up more money for capital improvements.

Mr. Stanton gave a great inventory of possible uses for this funding. Right now, we are just looking at \$11 million of capital projects that are the high needs. Our roofs are a big deal in Lyon County with the wind. We need to make sure our life safety issues are covered, and connectivity as well. We are not even down to the mediums and lows on our needs with \$11 million.

Because of our declining property values, I cannot say whether our school board would actually utilize this at this time, but it would give us an option, and that is what we need in the school districts. We need flexibility, and we need more options to meet the needs of our students. Thank you.

**Chair Kirkpatrick:**

Are there any questions?

**Assemblywoman Neal:**

How are you planning to select the schools to which you apply the money when you have such old schools? It cannot be all the schools, so how are you going to pick?

**Caroline McIntosh:**

We just had a capital projects workshop on Tuesday night. Mr. Johnson, our bond counsel, was with us. We identified projects, and our trustees identified whether they were high, medium, or low need, and prioritized them. So we actually have a priority list that we are working on. Life safety is always No. 1. We have a roof in Fernley that absolutely must be redone immediately. We also have some structural issues, so we do it on those high, medium, and low priorities, with life safety being No. 1.

**Chair Kirkpatrick:**

Okay, Ms. Vilardo and then Ms. Merrill. We still have one more bill and we have floor at 11 o'clock, so I am trying to expedite the process. Please be ready to come up to testify.

**Carolyn Edwards, President, Clark County School District Board of Trustees**

I am here to speak on behalf of Clark County and to reiterate what Joyce Haldeman said. While Clark County is unlikely to take advantage of this enabling bill at this time, we recognize there are counties in the state that would benefit greatly from this bill. We did take a vote yesterday to support this bill, and I wanted you to know we are in full support of our rural counties having the opportunity to utilize the bill. Thank you very much.

**Chair Kirkpatrick:**

Does anyone have any questions? [There were none.]

**Carole Vilardo, President, Nevada Taxpayers Association:**

I am speaking in support of the bill. Assemblywoman Smith contacted me early last fall or late summer about this bill and the issue associated with the bill. In 2003 Clark County had expressed an interest in doing something like this. The reason being is that the reserve was so high at this point, they would have been

able to do something, particularly in the maintenance areas, and that is extraordinary. Not normal day-to-day maintenance, but what you have heard: roofing, heating, and air conditioning unit, et cetera.

I met with bond counsel and with a couple of the district members, and I have had communications with the finance director from Washoe County because originally I had a couple of concerns. Those concerns were addressed in the bill. I understand the challenges the Committee is facing. You have a competing bill from the administration and, somewhere between the two; I assume something will be worked out. This is a viable use of the money in my opinion.

**Dotty Merrill, Executive Director, Nevada Association of School Boards:**

Our association represents the 107 elected and appointed school board members in the state. We appreciate the foresight that Assemblywoman Smith had to begin this discussion last year and to provide this option to our school districts, as Mr. Johnson pointed out in his testimony. We now have ten schools districts that could potentially benefit from the opportunity embodied in this bill. We believe, as Assemblywoman Smith said, that student achievement is tied to the conditions of the facilities that our students attend. Safety is certainly No. 1. If students do not feel safe, then they will not learn. If they do not learn, they cannot achieve. We appreciate the work Assemblywoman Smith has done on this bill, and we are here in support of this proposal.

**Randy A. Soltero, representing the Sheet Metal Workers' Local Union No. 88:**

We stand here strongly supporting A.B. 183. We thank Assemblywoman Smith for her work and all the sponsors of this bill. We believe the most important part of this bill is the rehabilitation and the repair of some of the schools. This would give the school district the ability to rehabilitate those schools. We believe that is what is most important, and this creates a solid, safe environment for our students in the state. We also believe as strongly that it helps create jobs in Nevada. I know that is one of the things that is very important to this Legislature. I think this bill makes the dollars available for rehabilitation or the creation of new schools or replacing schools where possible. We stand in support of this bill, and we thank you for all your work.

**Chair Kirkpatrick:**

Are there any questions?

**Assemblyman Stewart:**

Ms. Vilardo, you mentioned you had concerns. They were alleviated in the bill. Can you enlighten us on those concerns?

**Carole Vilardo:**

Yes. It was the percentage of the reserve that would be allowed to be used. As the bill is written, I did not have a problem, and that is something that was addressed immediately last fall when we were having the discussions.

**Assemblyman Stewart:**

Thank you.

**Assemblyman Livermore:**

Ms. Vilardo, you speak about Clark County's reserve being above normal. Can you tell me what percent you would recommend that they have?

**Carole Vilardo:**

The superintendent was the finance director before he became superintendent. He was the gentleman I had the conversations with about the level of reserves, and they were well over \$300 million. There were discussions about continuing with rollover going to another question, how you handle some of that, and what would happen with the reserve. My concern was if we went with another rollover at that time, we would still be looking at that level of property tax. But if we had more flexibility with the reserve, we might be able to drop a couple of cents off the property tax. We did not discuss finite numbers or anything. It never came before the Legislature. When I was called by Assemblywoman Smith this year, and then had the meetings that I did have, we were looking at what the percentages were. To the best of my knowledge, there is no contract impairment with the percentages that have been set.

I have sat on the debt management commission in Clark County and watched every one of these school bond issues come through since 1990. I am one of the longest serving public members they have had. I do scrutinize those and the reserves. As I say, I know the issue right now is the fact that you literally have a competing bill. In either case my understanding is that we maintain the bond covenants, and we are fine with that. If you put a ballot question out there, it potentially would not pass for facilities, and there is maintenance that is needed. In fact, it would in almost all cases; not every case would be pay-as-you-go. We would not be incurring additional bonding on these issues.

**Chair Kirkpatrick:**

Does anyone else have any questions? [There were none.]

**Gail Tuzzolo, representing, Nevada State AFL-CIO:**

Every day we have been here we have been talking about putting Nevadans back to work. Obviously, this Legislature is serious about that. The Nevada American Federation of Labor-Congress of Industrial Organizations (AFL-CIO) is

in full support of this bill and appreciates the creative approach and hard work that has come before the Legislature even started. We thank you.

**John Madole, Executive Director, Nevada Chapter, The Associated General Contractors of America, Inc.:**

I would like to say that the resources are limited, the needs are great, and the people need to get back to work and fix these schools. We support A.B. 183.

**Alison J. Turner, President, Nevada Parent Teacher Association (PTA):**

I will be brief. We support this bill on three bases. Number 1 is student safety, No. 2 is student achievement, and No. 3 is the fact, mentioned earlier, that the bill is written to enable school districts to meet the needs that they identify. Thank you.

**Chair Kirkpatrick:**

Are there any questions? [There were none.] Is there anyone neutral who would like to testify? [There was no one.] Is there anyone in opposition who would like to testify? [There was no one.] Ms. Smith, would you like to come up and have any final words?

**Assemblywoman Smith:**

I would just like to reiterate that I hope you can keep the context of this bill and the meaning of the bill with its original intent. Assembly Bill 183 has been in the works for almost a year. It was never designed to be a competing measure to the Governor's. I feel very strongly about honoring the will of the voters who approved these bond issues in 17 different counties. While you are thinking about students going to school in older buildings with some really difficult conditions, keep in mind that this is what the bill is really about, and I hope you give this bill consideration. It is in no way an attempt to sideline anything else. It is to do the right thing to free up some money to improve some of our older schools. I thank you for your consideration.

**Chair Kirkpatrick:**

Does anyone have any questions?

**Assemblyman Ellison:**

Thank you for bringing this forward. I have a lot of questions. I am trying to understand the budget and where the budget shortfalls are going to be. This is going to allow a big hole in the middle of the existing budget set forth by the Governor. Is this money going to be used strictly for construction only?

**Chair Kirkpatrick:**

Mr. Ellison, I bet I can help you out because this is the policy committee, and I know we have to keep that in the back of our minds. At end of the day, who knows what is going to happen with the budget? It is always a working document. This is just the policy allowing them to rollover the school district bonds.

**Assemblyman Ellison:**

My biggest fear is, by opening this up, are we going to create a big black hole? That is what I fear. I am trying to understand the tax base and the tax plan.

**Assemblywoman Smith:**

May I respond Madam Chair? If I may just make a general statement; you are right. There are many budget considerations we will be looking at over the next few months.

The point here is that these are bond construction dollars that were approved by the voters, and it is a huge policy decision to use that money for something else. I think in the budget hearing, as early as next Thursday, we will have that discussion, and we will know if those are even actual available dollars.

In my mind, this is an issue that stands on its own. The bill and the dollars were never intended to solve a budget problem. These are bond dollars that were intended to be used for something else. Just as a general statement, I will say that, and then the discussion will take place and will start unfolding in our budget hearings.

**Chair Kirkpatrick:**

Mr. Ellison, I am not trying to cut you off because, believe me, I was the person who walked door-to-door and had everyone vote for that. My husband, as I said, just about killed me because I did that as a top priority. I did not agree with allowing the school districts to just keep using that money without talking to the voters. Those are all policy discussions. Whether or not the money goes for construction or whether it is part of something else, I think our decision in Government Affairs is to decide if we want to allow the districts to rollover the dollars and to leverage more funds. I think it is important for us to stay on task.

**Assemblyman Ellison:**

The other question I had that no one has answered, is this money going to be strictly used for construction in the bonds, or can it be used for something else?

**Assemblywoman Smith:**

It is my intention the money would be used the way it has always been used when those bonds were put out there. It has always been for capital construction and not operating costs. That is certainly the intention, and you would have to change the policy for it to be otherwise.

**Assemblyman Ellison:**

Thank you.

**Assemblyman Livermore:**

I think this is enabling legislation. I believe you stated that school boards would have a choice of debt repayment or other uses. I am trying to place myself in the position of someone on a school board, and I am going to have to make a decision about hiring contractors or hiring teachers. I think the issue is education. The issue is employing teachers. I would rather put teachers to work. This is my personal feeling on this.

**Assemblywoman Smith:**

That will not be the decision of the districts. The decision will be made in this Legislature how those monies are used based on how the budget is resolved. In this Committee, I am talking strictly about the merits of this legislation to maintain the integrity of this bond money that the voters in all of your counties approved for all those reasons. So on the policy side only, I will continue to address it in that way.

**Chair Kirkpatrick:**

Are there any other questions? [There were none.] With that I will close the hearing on A.B. 183 and open the hearing on Assembly Bill 182.

**[Assembly Bill 182](#): Authorizes the creation of inland ports. (BDR 22-177)**

**Assemblyman Kelvin D. Atkinson, Clark County Assembly District No. 17:**

It is good to be back in Government Affairs. You should have my presentation ([Exhibit L](#)) for A.B. 182. As most of you may know, we met several times this past summer on what would have been Assembly Concurrent Resolution No. 30 of the 75th Session. At the time it was Speaker Buckley's bill, and some of my materials were included in the ACR.

As you recall, last session I had a bill and the Speaker had a bill and we only received so many ACRs, so there was a short battle on who would get that ACR. I lost, and the Speaker got it, so we combined some of mine and some of hers and had some joint hearings.

This bill is one of the things that came from those discussions. There will be a few other ideas on the same topic that will be heard in the Assembly Committee on Transportation later this session. I think there may be one or more in the Assembly Committee on Commerce and Labor. This is the first part of this.

[Read from ([Exhibit L](#)).]

Creating jobs will come from manufacturing and construction, which are above the state's average wage. I can briefly cover some of the bill if you like.

**Chair Kirkpatrick:**

I know you asked a representative from the Nevada Commission on Economic Development to be here because you had worked with them during the interim. Correct? They had worked with some of these inland ports across the county. Would you like him to come up now?

**Assemblyman Atkinson:**

Sure.

**Chair Kirkpatrick:**

Are there any questions?

**Assemblyman Ellison:**

You say the monies that are going to this are going to be very little from the state. What are we talking about, as far as the state's contribution? Will it be like a redevelopment area that will create its own funds to pay for this port?

**Michael Skaggs, Executive Director, Nevada Commission on Economic Development:**

The costs are pretty much front-end loaded in terms of consulting expertise. Specifically, sites like Dallas have been through the process to help expedite the design of the amenities of such a port, to make sure each area that would like to be one satisfies these types of intermodal criteria. That would be the only cost. The follow-up costs, in terms of administering the zone, would be a little lighter workload and can probably be handled with existing staff.

**Assemblywoman Bustamante Adams:**

Thank you for your work during the interim. Can you elaborate a little bit more on what Dallas has done regarding inland ports, to help me better understand how everything works?



**Michael Skaggs:**

Economically, Dallas has no reason to exist. Dallas was built by developers in the middle of nowhere. When they built Dallas/Fort Worth International Airport (DFW) things changed. All of sudden, it became a passenger and cargo hub and a crossroads of America. It catapulted Dallas/Forth Worth into a whole different category. One of their strong suits was distribution, because they have a central location for the nation. They decided to extend this because of the opportunity with the rail service and two interstates, Interstate 45 and Interstate 35 flowing to the south, to do a major redevelopment project with a 30-year vision and to concentrate the amount of freight carriers, as well as the distribution network there. That was the idea, to try to achieve the efficiencies of the accompanied level through this concentration.

It is a 30-year plan. It is a very aggressive plan. You have many cities and municipalities all joined together to support this, but they are the ones that run the inland port because they do not have port access, and this thing is tied very closely to DFW.

**Assemblyman Anderson:**

I just wanted to say I think this is a good concept. I was at the Nevada 2.0 conference in January, and I heard the presentation from Dallas and thought they had done a great job. I think it is a good example to look to.

I have two quick questions. Number 1, can you explain to me what "outside of traditional borders" means? Number 2, what sort of people would serve on the authority for the inland port?

**Michael Skaggs:**

I will have to ask you to repeat your second question. "Outside of traditional borders" takes its name from the concept where you have facilities that are built across the border between two countries. This is language that comes from Dallas because of their location. It is a differentiator. What was the second question?

**Chair Kirkpatrick:**

Maybe I could help you with the second question. The question was who would serve on the authority? Ideally, it would be people who import, export, and manufacture, similar to other states. Is that correct?

**Assemblyman Atkinson:**

Yes, it is, and I was trying to go through it really quickly because both the Assemblyman's questions are answered in the bill itself. Section 13 describes the boundaries of the inland port. The second part of his question is also in

section 15. It explains that there would be four members and actually they are called directors. It explains how they are appointed. It also explains who is not eligible to be on the board. Elected officials are not allowed to be on the board. It is in the bill.

**Chair Kirkpatrick:**

Correct. It also says they do not get paid; they do it because they love our state. It is time for businesspeople to love our state and do it for free.

**Assemblyman Atkinson:**

Yes, Madam Chair. That was the language you requested.

**Chair Kirkpatrick:**

Absolutely, because no one is getting rich off this idea except for the state.

**Assemblywoman Benitez-Thompson:**

Can you tell me what communities meet the requirements of section 10? Specifically, where would these ports be?

**Assemblyman Atkinson:**

The ports have not been designated. To give an example, the Southern Nevada Correctional Center in Jean—which is gone—if the state and interested parties wanted to get together and designate that area as a inland port, they would be able to have those discussions. There are no identified locations where they should be. There are some that we think are a good idea, and one of them that comes to my mind is the international gates at the airport, which are going away and moving to Terminal 3. I believe it will be vacant; I have not had a whole lot of discussion with the airport. I have had some. I believe they have some issues with certain parts of the bill, but they like the logistics and distribution part of it. They believe it will be beneficial, but there are some mechanisms and some issues there we have to work out. The bill does not identify where the ports would be. We would have to have an ongoing dialog about where we think the ports should be.

**Chair Kirkpatrick:**

One of the things to think about is that the criteria established will be similar to every other inland port in the nation. Dallas, Texas, has 37 inland ports. Virginia has 14 inland ports, and Colorado has 8 inland ports. I believe the language is consistent enough for the entire state to have pieces of this inland port. In other states, the ports are based on what they import and export, and in which direction they are trying to go.

**Assemblywoman Benitez-Thompson:**

My question is actually much simpler. The criteria for an inland port are that they have to have a municipal airport, they have to be on the highway system, and they have to have a Class I rail system. I did not know if those three things were something you can find in every single part of the state, or if they were limited to Washoe County, Clark County, or even Elko County. Is there an opportunity for this to happen all over the state and not just in certain counties?

**Michael Skaggs:**

Yes. The easiest way to identify potential locations is to follow the railroad lines and look at proximity. The interstate highway is a good starter. I mentioned Elko because they went through a great deal of struggle to build the Elko County Rail Port, which is quite successful.

Even when I heard the Mineral County presentation, I could not help but think that they were talking about rail, their airport, and their proximity to U.S. Highway 95. There are possibilities all over the state, to tell you the truth.

**Assemblyman Atkinson:**

If I could, Mr. Anderson, the answer to the question you asked is in section 14 of the bill.

**Michael Skaggs:**

I asked three companies that are in the logistics business to drive through the snow from Reno, and I would like to get them in front of this audience today. As logistics companies, they can explain a little bit more about that opportunity and what it looks like.

**Chair Kirkpatrick:**

Mr. Atkinson, can we have those companies come up and we can direct our questions to existing businesses? Also, Assemblywoman Pierce would like to ask you a question.

**Assemblywoman Pierce:**

Mr. Atkinson, is it your vision that it is the county commissioners that create this authority? And would they maintain authority and have authority over it?

**Assemblyman Atkinson:**

Actually, the county commission would not have that authority. The Economic Development Commission would make the decision based on what was submitted. It could be the city. The city may have the authority, depending on where the inland port is. It could be a business partner in the venture, depending on where the inland port is.

**Assemblyman Stewart:**

I would like to commend my good friend, Mr. Atkinson. This is a great step forward for Nevada. I think there is great potential here. Thank you.

**Chair Kirkpatrick:**

Good morning, gentlemen. We appreciate your driving across the valley to tell us about this bill. Please state your name for the record. In southern Nevada I have Mike Montandon and Michael Dayton who would like to speak.

**Mike Ingram, Director, Supply Chain, EP Minerals, LLC:**

E.P. Minerals is headquartered in Reno, and is the second largest manufacturer (which includes mining, processing, marketing, and distribution) of diatomaceous earth products in the world.

[He continued to read from prepared text ([Exhibit M](#)).]

**Chair Kirkpatrick:**

We do have four more speakers that have traveled to get here, so I am going to have them speak before I answer any questions.

**Matthew Booher, Director of Information Technology, Griffin Global Logistics:**

[Read from prepared text ([Exhibit N](#)).]

**Chair Kirkpatrick:**

We are running short on time. We will go to southern Nevada. Mr. Atkinson, am I correct in saying that this is just the beginning, and it is not over? We still have time.

**Assemblyman Atkinson:**

[Acknowledged with a nod of the head.]

**Michael Dayton, representing the Southern Chapter of National Association of Industrial and Office Property:**

I will be very brief. Mike Montandon of the National Association of Industrial and Office Property (NAIOP) was here and had to leave. The National Association of Industrial and Office Property stands in full support of the bill. We commend Chair Kirkpatrick and Assemblyman Atkinson for their work on this, and we look forward to working with the legislators this session to advance this very important policy.

**Somer Hollingsworth, President and CEO, Nevada Development Authority, Inc.:**

I came to understand what the bill was about, and I have learned a lot today. One of the things that I was a little confused about is that there are actually

two inland ports in the state of Nevada: Foreign-Trade Zone #89 in southern Nevada, and Foreign-Trade Zone #126 in northern Nevada. There was not any mention of foreign-trade zones in this bill.

Right now in southern Nevada, Clark County is in the process with the Foreign-Trade Zone Program to make this a little easier down here for the imports and exports that come from outside of the United States which are parked in those foreign trade-zones. They do not pay their duty until it is shipped out again. If they assemble products and ship them back outside the United States, they never pay the duty. So the cash flow becomes considerable when you are looking at millions and billions of dollars worth of products going through there.

Late last year the U.S. Foreign-Trade Zones Board changed the law. We have the ability to declare all of Clark County Foreign Trade-Zone #89. It will not be a situation where we have pieces or parts. We have been trying to clean up this foreign-trade zone for some years because there are a lot of parts of this foreign-trade zone down here and in the area where almost 1,000 acres were apartments. So we are going to clean that up, but all of Clark County will be declared a foreign-trade zone, if they agree and let us pass that. This would mean any place you put one of your inland ports you would have the ability to take advantage of that foreign-trade zone. Thank you.

**Chair Kirkpatrick:**

Thank you for all your work on this. I am sure that with the state, your agency, and local government working together we can get on the map.

**Mike Jordan, Director of Transportation Management for Ozburn-Hessey Logistics, LLC:**

Our company is a global company. We are in 25 counties. We have over a billion dollars in revenue and over 6,000 employees. Our roots are in northern Nevada. A person by the name of Gary Owens founded Owens Distributing Company back in the mid 1970s. It grew based on the logistics advantages of northern Nevada. Distributing in the West, it grew to become ODC Integrated Logistics, which was acquired by Ozburn-Hessey Logistics (OHL) in 2002.

We have a strong history with northern Nevada. We currently have over 400 employees in Sparks with over 1.1 million square feet of warehousing space and some notable clients. Ozburn-Hessey Logistics is not the only company, as Matt Booher mentioned, that has grown over the years. Bender Group, Griffin Global Logistics, Hopkins Distribution Company, and a lot of third-party logistics (3PL) companies and distributors have grown in northern

Nevada based on the strength of the logistics community here and the reach within the West of distributing.

Right now, I can speak for our company. The manufacturing shift from the United States to Asia has put a lot of distributing companies and 3PLs in northern Nevada at a disadvantage.

When I started with my company six years ago, we had two warehouses with about 200,000 square feet in southern California. Now we have 8 warehouses with over three million square feet in southern California, which speaks to the growth of import activity. As a region and as a state, we need to look at different ways to become competitive in logistics and secure additional manufacturing to come into northern California and to look at ways to expand rail capacity and rail options, as Mike Ingram from EP Minerals stated.

With the drayage situation that Mathew Booher spoke to, it costs us three times more to bring a container from the Port of Oakland into northern Nevada than it does to pull that container from the Port of Oakland to the Bay Area. In southern California, it is even cheaper.

**Chair Kirkpatrick:**

I appreciate your coming. If you have written testimony we can submit that for the record. We were supposed to be on the floor five minutes ago. I do not want you to walk away thinking we do not want you here, because we want to work with you.

**Mike Jordan:**

The last thing I would like to comment on would be the logistics industry, the 3PL market, and distributing. It is a clean industry; it is getting greener all the time. It is a growth market for the global market and the U.S. market. Nevada needs to do something to improve our position to grow in the logistics market.

**Robert Skinner, President, RMS Commercial Real Estate and RMS Development, LLC:**

I am a developer of a large intermodal facility here in Nevada. I applaud the efforts of this bill. Rail yards are significant economic drivers. Sparks exists because of a rail yard. In the interest of full disclosure, I am developing a really large rail yard. I am working very closely with Union Pacific Railroad, the City of Fernley, Churchill County, Reno, Sparks, the Port of Oakland, and others.

I do have a proposal that I put out to the Governor and to everyone to get behind the program, because an intermodal facility and inland port is about a

\$200- to \$400-million deal. I do not see inland ports scattered around the state. The pictures I provided ([Exhibit O](#)) are of intermodal facilities. They tend to be of a certain size and shape. They are usually on a highway, and they are not on a cul-de-sac. We spent about a year to get this plan approved. So if you are talking about economic development, these things take forever.

I would like to talk about dual service. One of the competitive advantages we have in Nevada is that the intercontinental railroad that goes through here is dual served. On the chart I provided, you can see where there is competition between the Union Pacific (UP) and Burlington Northern Santa Fe (BNSF) railways and where it is only UP service and where there is only BNSF service. That is a significant competitive advantage of our location.

The airport called for in this bill is a certain length. I have given you the performance specifications of a United Parcel Service (UPS) Boeing 757; 5,500 feet will not cut it unless that plane is pretty much empty. So it has to be 11,000 feet or more. I have made some specific recommendations. First, it has to be dual served. If we want to make a big deal, it has to be dual served. When you read through what the state can do, the No. 1 thing the state can do is back a bond. This is great private/public enterprise. It is heavy infrastructure, it is super beneficial, it is super expensive, they are not going to be scattered all over the place and make a big deal, but it is the bond that is going to make a difference for this community.

Second, it must be an intermodal facility. Everything they said about the cost and logistics and why this area is being passed by I could speak to at length. I am trying to address those things and I reach out to everyone in the community to help accomplish that.

Rail yards have to be a certain size and length. The rail lines are getting longer. Train cars are at least 7,200 to 10,000 feet. There is more powerful locomotion, there is distributed power, and they are moving larger things.

**Chair Kirkpatrick:**

Do you have a copy of that because I do not have one?

**Robert Skinner:**

Yes. Last but not least, it was mentioned that a foreign-trade zone absolutely has to be included in this bill, and it is not. I have made some specific recommendations ([Exhibit P](#)). I would be glad to participate. We are working really closely with all the mayors, planning committees, and we would like to work with you. As you know, it was announced in January that New Mexico just got a \$400 million facility. It was announced because the Governor got

behind it, guys like you got behind it and this is not a little place here and a little place there; it is a giant, huge, deal and it takes a lot of time and effort. We have a competitive advantage and we could do something significant with this bill. [Mr. Skinner also turned in ([Exhibit Q](#)) but did not reference it.]

**Chair Kirkpatrick:**

At this time, we will close the public hearing on A. B. 182. If there is any written testimony or any comments that people would like on the record I am happy to do so. [([Exhibit R](#)) and ([Exhibit S](#)) were submitted for the official record.] I envision, Mr. Atkinson, that you will be having more meetings on this bill and I appreciate your coming before us today.

Is there any public comment at this time? [There was none.] [The meeting adjourned at 11:10 a.m.]

RESPECTFULLY SUBMITTED:

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Cheryl Williams  
Committee Secretary

APPROVED BY:

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Assemblywoman Marilyn K. Kirkpatrick, Chair

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



## EXHIBITS

**Committee Name:** Committee on Government Affairs

**Date:** February 18, 2011

**Time of Meeting:** 8:05 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Jerrie Tipton, Mineral County	Map
	D	Jerrie Tipton, Mineral County	Presentation
A.B. 42	E	Jerrie Tipton, Mineral County	Testimony
A.B. 42	F	Jerrie Tipton, Mineral County	Lot Map
A.B. 42	G	Michael Murphy, Clark County	Amendment
A.B. 68	H	Michael Murphy, Clark County	Amendment
A.B. 183	I	Mark Stanton, Washoe County School District	Presentation
A.B. 183	J	Martin Johnson	Presentation
A.B. 183	K	Carol McIntosh, Superintendent, Lyon County School District	Presentation
A.B. 182	L	Assemblyman Atkinson	Presentation
A.B. 182	M	Mike Ingram, EP Minerals, LLC	Prepared Testimony
A.B. 182	N	Matthew Booher, Griffin Global Logistics, LLC	Prepared Testimony
A.B. 182	O	Robert Skinner	Presentation
A.B. 182	P	Robert Skinner	Amendment
A.B. 182	Q	Robert Skinner	Presentation
A.B. 182	R	Ray Bacon, Nevada Manufacturers Association	Testimony
A.B. 182	S	Terry K. Graves, Nevada Motor Transport Association	Testimony