

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS
AND THE
SENATE COMMITTEE ON FINANCE
JOINT SUBCOMMITTEE ON HUMAN SERVICES
AND CAPITAL IMPROVEMENTS**

**Seventy-Sixth Session
March 1, 2011**

The Assembly Committee on Ways and Means and the Senate Committee on Finance, Joint Subcommittee on Human Services and Capital Improvements was called to order by Chair April Mastroluca at 8:05 a.m. on Tuesday, March 1, 2011, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/76th2011/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

Assemblywoman April Mastroluca, Chair
Assemblywoman Debbie Smith, Vice Chairwoman
Assemblyman David P. Bobzien
Assemblywoman Maggie Carlton
Assemblyman Pete Goicoechea
Assemblyman Crescent Hardy
Assemblyman Joseph M. Hogan

SENATE SUBCOMMITTEE MEMBERS PRESENT:

Senator Sheila Leslie, Chair
Senator Barbara K. Cegavske
Senator Steven A. Horsford

STAFF MEMBERS PRESENT:

Mark Krmpotic, Senate Fiscal Analyst
Mike Chapman, Principal Deputy Fiscal Analyst
Eric King, Program Analyst
Jordan Butler, Committee Secretary
Cynthia Wyett, Committee Assistant

Lori Chatwood, Deputy Treasurer of Debt Management, Office of the State Treasurer, came before the Subcommittee and introduced Mark Winebarger, Chief Deputy Treasurer, Office of the State Treasurer, and Mark Mathers, Senior Deputy Treasurer, Office of the State Treasurer.

Ms. Chatwood provided the Subcommittee with an overview of the Debt Management Division's duties:

The Treasurer's Office Debt Management Division oversees approximately \$2.9 billion of the state's debt for the following programs: the Nevada real property corporations lease purchases, the Department of Transportation's highway motor vehicle fuel tax bonds, the university system slot tax bonds, public works, capital improvement, historic preservation, cultural affairs, the Conservation Department's Q1 [Question 1], Lake Tahoe, clean water and safe drinking revolving programs, the Assembly Bill No. 198 of the 66th Session (1991) grant programs, the Buildings and Grounds' Marlette Lake program, the Department of Wildlife's fish hatchery bonds, and the Colorado River Commission's Hoover upgrading water refunding and power delivery bonds.

Overseeing of this debt includes the issuance of the debt, the disbursement of the proceeds, the payments of the issuance costs, the collection and payment of the debt, the debt service, all of the post-issuance compliance concerning monitoring and ongoing disclosure. The Treasurer's Office is also the administrator of the Municipal Bond Bank and the clean water and drinking water programs. As such, we oversee \$288 million in Municipal Bond Bank debt and approximately \$363 million of clean water and drinking water loans. There are over 100 loans.

The Treasurer's Office also serves as the primary representative of the state in the matters concerning the nationally-recognized bond credit rating agencies. We're extremely proud that we have

maintained the state's credit rating. From all three credit rating agencies we're rated at an AA+ or an Aa1, which is just a notch below the highest AAA rating. The rating reflects the prudent actions taken by this state to meet its financial obligations despite the national economic downturn, the volatility of the financial markets, and the economic weakness the state has experienced over the last several years as well as the challenges that it faces going forward. It's imperative for us to maintain our high credit rating because it has a direct impact on the ability to issue new debt in the future.

The ratings are used to measure the state's credit worthiness, and the high ratings result in the state having access to the market and paying a lower interest rate on our existing and future bonds. The rating agencies have cited that the state's strong financial management, conservative debt position, and its willingness to react timely with budget solutions is one of the reasons they have maintained our rating. The debt reserve, currently prefunded at almost an entire year's of debt service, was emphasized as a strong component of the continued high rating. The rating agencies are intently watching the state as it navigates through this legislative process to see how the finalized budget will be produced.

ELECTED OFFICIALS

TREASURER - BOND INTEREST & REDEMPTION (395-1082)

BUDGET PAGE ELECTED-156

Lori Chatwood, Deputy Treasurer of Debt Management, Office of the State Treasurer, said the *Nevada Constitution* permitted the state to incur public debt, levy taxes on public debt, and appropriate revenues to pay public debt. Budget account 1082, the Bond Interest and Redemption account, was established pursuant to *Nevada Revised Statutes* (NRS) 349.080 through 349.140.

Ms. Chatwood submitted an expanded program narrative of budget account 1082 ([Exhibit C](#)) and a handout ([Exhibit D](#)) and PowerPoint presentation ([Exhibit E](#)) both entitled "General Obligation Debt Capacity and Affordability Report, 2011-2013 Biennium" for the record.

Ms. Chatwood explained the Bond Interest and Redemption account received revenue from the State of Nevada's current ad valorem tax of \$.17 per \$100 of

assessed valuation, appropriations from other budget accounts per authorizing statutes, and interest earnings. The account's expenditures included the payments for the principal and interest on the debt, the cost of issuance, and the paying of agent and trustee fees and other professional services.

Ms. Chatwood indicated The Executive Budget recommended no new budget programs for budget account 1082.

In response to Chair Mastroluca, who asked when the 2011-2013 biennium projection for the property tax rate for public indebtedness was developed, Ms. Chatwood responded that the projection was compiled in December 2010 by the Legislative Counsel Bureau, the Department of Administration, and the Department of Taxation.

In response to Chair Mastroluca, Ms. Chatwood said The Executive Budget was created prior to December 2010 and overstated estimated property tax revenues for fiscal year (FY) 2010-11. The Executive Budget projected property tax revenues for FY 2010-11 to be \$188.9 million, but based upon the December 2010 meeting and an upcoming meeting in March 2011, Ms. Chatwood said the Treasurer's Office would revise the projection.

In response to Chair Mastroluca, Ms. Chatwood reported that the Treasurer's Office was not concerned with the current level of reserves. She said the Office's affordability model used December's property tax revenue projections and the latest issued bonds and refunds. With this affordability model, Ms. Chatwood said a six-month reserve would still be maintained for at least five years.

In response to Chair Mastroluca, Ms. Chatwood confirmed that the level of reserves was based on the Treasurer's Office's projections, not those of The Executive Budget.

In response to Chair Mastroluca, Ms. Chatwood explained that when new projections were forecast at the beginning of FY 2010-11, the Treasurer's Office realized it could not afford to issue bonds to completely fund every 2009 Capital Improvement Program (CIP) project. After the Treasurer's Office told the Legislative Counsel Bureau and the Department of Administration that the Treasurer's Office could only issue approximately \$52 million to fund the 2009 CIP, the Department of Administration decided which projects would be funded.

In response to Chair Mastroluca, Ms. Chatwood stated that there was \$29 million currently available for future bonding capacity provided that the ad valorem tax rate of \$.17 per \$100 of assessed valuation was maintained.

In response to Chair Mastroluca, Ms. Chatwood told the Subcommittee that there was authority to issue \$200 million within the Question 1 program. Of the \$200 million, there was \$30 million to \$32 million still authorized to be issued. But Ms. Chatwood said The Executive Budget did not recommend an allocation for Question 1 bonding.

Having no further questions from the Subcommittee, Chair Mastroluca thanked Ms. Chatwood for her testimony.

CAPITAL IMPROVEMENT PROGRAM

Gus Nuñez, P.E., Manager, State Public Works Board (SPWB), submitted a document entitled "2012-2019 Capital Improvement Plan" ([Exhibit F](#)) for the record.

Mr. Nuñez expounded upon Ms. Chatwood's remarks regarding the 2009 Capital Improvement Program (CIP). Mr. Nuñez reported of the approximately \$29 million in future bonding capacity, \$27,133,179 was recommended to fund the 2011 CIP. An additional \$1,376,821 was recommended to be allocated for the remaining 2009 CIP projects. Because financing for bond sales begins when the Legislature authorizes the sales, Mr. Nuñez advised the Subcommittee to reauthorize funding for the remaining 2009 CIP projects to restart the projects' financing periods. The reauthorization would return the remaining 2009 CIP projects to a 20-year financing period.

In response to Chair Mastroluca, Mr. Nuñez noted that there was an allocation of \$11.6 million for 2009 CIP project 09-C02a, a new child and adolescent hospital in southern Nevada. Mr. Nuñez said that the Department of Health and Human Services wished to cancel the hospital project because the Department felt it did not have the funds to operate the hospital. Mr. Nuñez said if the hospital project were cancelled, the \$11.6 million allocated to the project would be reallocated to fund the remaining 2009 CIP projects.

In response to Chair Mastroluca, Mr. Nuñez said that to prevent wasting money, he recommended at an Interim Finance Committee meeting that the design for the hospital project be completed. Mr. Nuñez said SPWB would formally request the cancellation of the project this legislative session.

Chair Mastroluca advised Mr. Nuñez to request the project's cancellation "sooner rather than later."

DEPARTMENT OF ADMINISTRATION
ADMINISTRATION – SPWD – ENGINEERING AND PLANNING (401-1562)
BUDGET PAGE ADMIN-80

Gus Nuñez, P.E., Manager, State Public Works Board (SPWB), introduced Evan Dale, Deputy Manager, Administrative, Fiscal, and Constructional Services, SPWB, and Chris Chimits, R.A., Deputy Manager, Professional Services, SPWB.

Mr. Dale said budget account 1562 funded the design project management permitting and inspections services for the state's capital improvements. Mr. Dale indicated that Capital Improvement Program (CIP) fees collected from projects were the single revenue source for the budget.

Mr. Dale reported The Executive Budget recommended allocating \$10.1 million for the 2011-2013 biennium, a 34 percent reduction from the base budget request of \$15.4 million.

Mr. Dale highlighted the following decision units for the account:

- An Enhancement (E) 600 decision unit recommended eliminating 27 positions for a savings of \$4,346,858. Mr. Dale said the recommendation, if approved, would reduce the budget's staffing level by 41 percent.
- E909 recommended transferring five positions to budget account 1371, the Department of Administration's (DOA) Administrative Services Division account. The recommendation would result in a budget reduction of \$488,859.
- E750 proposed transferring six positions to budget account 1560, State Public Works Division Facility Condition and Analysis account. Mr. Dale explained the decision unit was included to comply with a letter of intent issued by the 75th Session (2009) of the Legislature. Decision unit E601, however, proposed to reverse E750 to maintain the six positions within budget account 1562.

- E251 requested to allocate funds for purchasing building code publications to support the adoption of new construction codes over the 2011-2013 biennium.
- E250 recommended an increase of \$2,632 per fiscal year during the 2011-2013 biennium to fund on-call temporary staff support when permanent staff in the Las Vegas Public Works Division office were on sick or annual leave.

Mr. Dale said he would entertain any questions from the Subcommittee.

In response to Chair Mastroluca, Mr. Dale said he was unaware of attempts in previous legislative sessions to consolidate SPWB with the Buildings and Grounds Division within the DOA. Mr. Dale reported that the consolidation would boost efficiencies for the two agencies' operations.

Tom Metcalf, Chair, SPWB, spoke in support of the recommended consolidation.

Mr. Nuñez referred to page 13 of SPWB's slideshow presentation ([Exhibit G](#)), a current organizational chart of the SPWB. Mr. Nuñez pointed out that there were currently three deputies under the authority of the SPWB Manager who were responsible for the Fiscal and Administrative Services, Professional Services, and Building Official sections.

Page 14 featured a proposed organizational chart after consolidation. Among the proposed changes, Mr. Nuñez emphasized that the SPWB Manager would be renamed to SPWB Administrator and would work under the authority of the Director of DOA. The Deputy Administrator of Fiscal and Administrative Services would become the head of the Administrative Services Division in the Department of Administration. The accounting and contracting staff within Fiscal and Administrative Services would also be transferred to the DOA's Administrative Services Division. Mr. Nuñez noted that these changes would result in 37 SPWB employees to finish the current CIP projects and to implement the 2011 CIP.

In response to Chair Mastroluca, Mr. Nuñez said the proposed consolidation would allow SPWB's facilities condition and analysis team to conduct the State Fire Marshal Division's annual inspections and site safety observations. Mr. Nuñez said the facilities condition and analysis team would not require any additional time in their site visits to conduct the Fire Marshal inspections.

Mr. Nuñez remarked that the proposed consolidation would result in cost savings and efficiencies within the Administrative Services Division. The combination of the Buildings and Grounds Division with the SPWB's sections would encourage both agencies to use their resources, experience, and engineering disciplines in a collaborative effort. Mr. Nuñez said the collaboration would make for more efficient operations.

In response to Senator Cegavske, Mr. Nuñez confirmed that the State Fire Marshal has had problems with conducting annual inspections in a timely fashion. Mr. Nuñez said complications also arose when the State Fire Marshal established interlocal agreements with local fire departments to allow local fire departments to conduct annual inspections on behalf of the State Fire Marshal. Mr. Nuñez indicated that the State Fire Marshal cancelled those agreements in search of a better solution, but Mr. Nuñez was unsure what the State Fire Marshal's solution would be.

In response to Senator Cegavske, Mr. Nuñez said the State Fire Marshal had authorized SPWB's facilities condition and analysis team, in the past, to oversee the State Fire Marshal inspections to improve coordination and speed up the inspection process.

In response to Senator Cegavske, Mr. Nuñez said SPWB had no authority over the State Fire Marshal's rules and regulations.

In response to Assemblywoman Carlton, Mr. Nuñez clarified that the State Fire Marshal Division conducted annual inspections on state buildings.

Assemblywoman Carlton expressed reservations that SPWB's facilities condition and analysis team would not be sufficiently qualified to conduct State Fire Marshal inspections. She said, "I'm concerned that you're going to send someone in who may be qualified to fill out a punch list but may not be qualified to see an imminent problem that could put someone in harm's way." Assemblywoman Carlton recalled that when she had opened a casino, the casino repeatedly had fire alarm problems that could not be solved for six months until the State Fire Marshal came and diagnosed the problem.

Mr. Nuñez replied that the State Fire Marshal was familiar and comfortable with the facilities condition and analysis team's qualifications to perform the State Fire Marshal inspections. Mr. Nuñez added that the State Fire Marshal had the authority to deputize individuals to perform the inspections on his behalf.

In response to Assemblywoman Carlton, Mr. Nuñez confirmed that the facilities condition and analysis team would work under Mr. Nuñez's authority, but they would be deputized by the State Fire Marshal to perform the inspections.

Chair Mastroluca returned the discussion to the Engineering and Planning budget account, budget account 1562.

In response to Chair Mastroluca, Mr. Dale said all 27 positions slated for elimination were currently vacant.

In response to Chair Mastroluca, Mr. Dale said the positions recommended for transfer in decision unit E909 dealt primarily with fiscal matters. He noted that the five remaining positions were administrative positions that dealt with the qualifications of project bidders, bid openings, timesheets, leave slips, prevailing wages, and assisted the SPWB Manager.

In response to Senator Leslie, Mr. Nuñez said Andrew Clinger, Director, DOA, had completed a cost analysis on the proposed consolidation of SPWB and the Buildings and Grounds Division.

Mr. Dale advised that the proposed consolidation would not yield significant cost savings because SPWB was already mostly entwined with the DOA's Administrative Services Division. He said he would provide the Subcommittee with Mr. Clinger's cost analysis.

DEPARTMENT OF ADMINISTRATION
ADMINISTRATION – SPWD – FACILITY CONDITION & ANALYSIS (101-1560)
BUDGET PAGE ADMIN-89

Evan Dale, Deputy Manager, Administrative, Fiscal, and Constructional Services, State Public Works Board (SPWB), said budget account 1560 funded the operation of a seven-member board and three facilities condition and analysis positions. He noted the account was funded entirely through an appropriation from the State General Fund.

Mr. Dale discussed the following highlights for the account:

- It was recommended to reduce the number of full-time equivalent (FTE) positions from 3 FTE to 2.46 FTE.

- Decision unit Enhancement (E) 601 and E750, as mentioned in the presentation on budget account 1562, sought to keep six positions in budget account 1562. Mr. Dale said one of the positions was recommended for elimination.
- E710 requested \$1,240 in fiscal year 2012-13 to purchase a replacement desktop computer with associated software.
- E800 recommended \$1,229 for the 2011-2013 biennium to pay the Department of Administration (DOA) cost allocation charges for fiscal, personnel, and administrative oversight.

Mr. Dale reported that the total recommended General Fund appropriation was approximately \$477,000 for the 2011-2013 biennium, approximately 7 percent less than SPWB's projected expenditures for the 2009-2011 biennium. Of the recommended budget, Mr. Dale indicated that approximately 82 percent was allocated to personnel, 6 percent to other support agencies, 2 percent to board and commission pay, and 10 percent to operating costs.

Mr. Dale called for questions from the Subcommittee regarding budget account 1560.

In response to Chair Mastroluca, who asked about the new division administrator position that would oversee the Capital Improvements Program (CIP) and the Buildings and Grounds Division, Mr. Dale answered that the new position would be funded through budget account 1562, which received its revenue entirely from CIP project fees. Although the position would be responsible for the Buildings and Grounds Division, it was recommended to continue funding the position through CIP project fees as it had been in the past.

In response to Chair Mastroluca, Mr. Dale said SPWB would likely adjust the funding for the new administrator position between SPWB's budget and the Buildings and Grounds Division's budget once it was determined how much time the position dedicated to each agency. Mr. Dale said the funding formula for the position may be adjusted for the 2013-2015 biennium.

Senator Leslie insisted that Mr. Dale provide the Subcommittee with an estimate of the time that would be allocated to CIP and other duties for the new administrator position.

In response to Chair Mastroluca, Gus Nuñez, Manager, SPWB, advised that with the recommended level of staffing, his agency would not be able to conduct annual State Fire Marshal Division inspections on every state facility. Mr. Nuñez told the Subcommittee that his agency would prioritize facilities based on risk and inspect those facilities every year. Low-risk facilities, like storage facilities or shelters, would not be inspected as frequently.

In response to Chair Mastroluca, who asked whether inspecting certain facilities over others opened the state to greater liability, Mr. Nuñez answered that the Risk Management Division would provide a better answer than he could. Mr. Nuñez said his agency often consulted with the Risk Management Division.

In response to Senator Leslie, who asked how often the proposed State Public Works Division would inspect rural state facilities, Mr. Nuñez responded that he hoped his agency could conduct inspections on every state facility using a three-year-rotation program. He reported that the first rotation program took five years to complete, but the second rotation program would take three years.

Senator Leslie opined that the Caliente Youth Center should be inspected every year.

Mr. Nuñez said while he did not know how frequently the State Fire Marshal Division inspected state facilities, SPWB did not currently conduct site safety inspections on every state facility annually. Mr. Nuñez reiterated that the proposed Public Works Division would meet with the State Fire Marshal to coordinate yearly inspections for high-risk state facilities.

Senator Leslie remarked that the Subcommittee did not seem receptive to the proposed consolidation if it would not yield yearly inspections on all state facilities.

In response to Chair Mastroluca, Mr. Nuñez said he believed the DOA Director submitted a bill draft request that would transfer the responsibility of conducting State Fire Marshal inspections to the proposed Public Works Division.

In response to Chair Mastroluca, Mr. Nuñez said current statute allowed the State Fire Marshal to delegate fire inspections to other individuals.

Mr. Nuñez noted that neither SPWB nor the State Fire Marshal Division ever had sufficient staffing levels to conduct annual inspections on every state facility.

Chair Mastroluca echoed Senator Leslie's remarks that SPWB and the State Fire Marshal Division would need to address the inspections issue before the Subcommittee felt comfortable with the proposed consolidation.

DEPARTMENT OF ADMINISTRATION
ADMINISTRATION – SPWD – BUILDINGS & GROUNDS (710-1349)
BUDGET PAGE ADMIN-95

Evan Dale, Deputy Manager, Administrative, Fiscal, and Constructional Services, State Public Works Board (SPWB), said budget account 1349 funded the operation and maintenance of approximately 1.6 million square feet of space for state operations. Mr. Dale noted that the account was funded with rent charged to state agencies for the use of state-owned building space.

Mr. Dale said the recommended budget included funding for an estimated 61 positions. The recommended total revenue authority for the 2011-2013 biennium was \$31.6 million. The recommended expenditure authority was \$32.1 million. Mr. Dale confirmed that the Buildings and Grounds operation would incur a slight loss for the 2011-2013 biennium.

Mr. Dale commented on the following items in the budget:

- It was recommended to reduce the rental rate from \$1.02 per square foot to \$.96 per square foot for the 2011-2013 biennium.
- Decision unit Enhancement (E) 850 recommended \$239,008 to fund major renovation projects including the replacement of sidewalks, a sprinkler system survey at the Grant Sawyer State Office Building, and driveway work at the Laxalt Building.
- E910 proposed to transfer one position to the Department of Administration, Administrative Services Division.
- The slight loss in the Buildings and Grounds operation would result in a reduction of reserves. Mr. Dale assured the Subcommittee, however, that the reserve was projected to be at an adequate level of 53 days of operating expenses.

Mr. Dale indicated that 31 percent of expenditures were allocated to operating costs, 26 percent to maintenance costs, 23 percent to personnel costs, 14 percent to the Capitol Police Division, and 6 percent to all other categories.

Mr. Dale opened the discussion to questions from Subcommittee members.

In response to Chair Mastroluca, Gus Nuñez, P.E., Manager, SPWB, said it was recommended to include a new chief engineer position in the unclassified service because other positions responsible for large expenditures within the proposed Public Works Division were also unclassified positions.

Chair Mastroluca requested Mr. Nuñez to include the chief engineer position in an informational document regarding the proposed consolidation for the Subcommittee. She emphasized that the new position was a new expenditure, not a savings.

In response to Chair Mastroluca, Cindy Edwards, Administrator, Buildings and Grounds Division, Department of Administration, said her Division procured additional lease space when there was not state space available. Ms. Edwards added that state agencies completed lease space request forms, and the Division evaluated the forms and worked with the state agencies to meet their requests.

In response to Chair Mastroluca, Ms. Edwards remarked that the recent reductions and consolidations of state agencies had made more state leased space available.

In response to Chair Mastroluca, Ms. Edwards confirmed that her Division had negotiated with landlords to lower lease costs. Nevertheless, the Division expected lease rents to increase by 2.9 percent for fiscal year 2011-12 to account for projected increases in construction and utility costs that would be paid by landlords.

Chair Mastroluca requested that the Buildings and Grounds Division submit documentation detailing the cost savings the Division had made in reducing state leased space and negotiating lease rents.

In response to Chair Mastroluca, Mr. Dale said the federal Department of Health and Human Services' Division of Cost Allocation notified the state that the Buildings and Grounds Division had an excessive amount of reserves. To reduce the Division's reserves, the Division recommended using reserves to fund major

maintenance work and to lower state agencies' office rent from \$1.02 to \$.96 per square foot. Mr. Dale noted that the federal government's accounting standards for determining reserves was different than the state's accounting standards.

In response to Chair Mastroluca, who recalled that the Division requested 72 days of reserves in the 26th Special Session (2010), Mr. Dale said the Division did not consider the federal government's accounting standards in the Division's 2009 request.

In response to Chair Mastroluca, Mr. Dale confirmed that a 53-day reserve was sufficient for the Buildings and Grounds Division. Mr. Dale advised that building failures that exceeded a 53-day reserve should be addressed through the Capital Improvement Program. He explained that the federal government forced the Division to amortize an expenditure over the life of the capital improvement rather than expense the expenditure in the year that the improvement was made. Mr. Dale said the Division should only fund capital improvements that would cost less than \$100,000.

In response to Chair Mastroluca, Mr. Dale said the federal government considered reserves of 60 days or more to be excessive.

In response to Chair Mastroluca, Ms. Edwards noted that all maintenance projects that posed a life-safety concern were included for renovation in the recommended budget.

Chair Mastroluca remarked that the Division would need to provide more information regarding E902, a recommendation to transfer \$118,763 in each year of the 2011-2013 biennium to the Capitol Police Division for security services so that the Fiscal Analysis Division could substantiate the recommendation.

Having no further questions from the Subcommittee, Chair Mastroluca closed the discussion on budget account 1349.

DEPARTMENT OF ADMINISTRATION

ADMINISTRATION – SPWD – MARLETTE LAKE (712-1366)

BUDGET PAGE ADMIN-105

Evan Dale, Deputy Manager, Administrative, Fiscal, and Constructional Services, State Public Works Board (SPWB), reported that budget account 1366 funded the Marlette Lake Water System, an operation that provided water to Carson City and Virginia City.

Mr. Dale said it was recommended to fund the Marlette Lake budget account at approximately \$2.7 million for the 2011-2013 biennium. The recommendation included funding for 1.75 full-time equivalent positions. Revenue for the account came primarily from charges to Carson City and Virginia City.

Mr. Dale indicated that debt service was Marlette Lake's primary expenditure. He had no comment regarding the budget's enhancement decision units.

In response to Chair Mastroluca, Mr. Dale said the recommendation to allocate \$400,000 from reserves for capital improvements for the 2011-2013 biennium was not subject to the federal government's scrutiny because Marlette Lake did not charge fees to other state operations.

In response to Chair Mastroluca, who asked whether it was pragmatic to use reserve funds to pay for capital improvements, Mr. Dale responded that if Marlette Lake's reserves were not decreased by capital improvement expenditures, the reserves would decrease by paying upcoming debt payments.

Cindy Edwards, Administrator, Buildings and Grounds Division, Department of Administration, expounded upon Mr. Dale's previous remark, saying it was recommended to use Marlette Lake's reserves to fund capital improvement projects because the Marlette Lake account had collected sufficient fees to fund those projects.

In response to Chair Mastroluca, Ms. Edwards said Marlette Lake's capital improvement projects slated for fiscal year 2010-11 were delayed. She noted that those projects were recommended for funding for the 2011-2013 biennium.

In response to Chair Mastroluca, Ms. Edwards reported that capital improvements from the previous fiscal year's budget had not been completed. Ms. Edwards said design for the 18-inch transmission water line for the capital

improvement projects had recently begun. The other capital improvement projects were expected to be completed by the end of the 2011-2013 biennium.

Ms. Edwards confirmed that the diesel pump replacement water delivery system project was completed in 2010.

Chair Mastroluca indicated that the Subcommittee would next hear recommended capital improvement projects for the State Department of Conservation and Natural Resources.

CAPITAL IMPROVEMENT PROGRAM 2011 PROJECTS

Gus Nuñez, Manager, State Public Works Board (SPWB), read from a letter transmitting the Governor's recommended Capital Improvement Program (CIP) for 2011:

There are many projects that are badly needed that are not included in this recommendation since the bond capacity given us precludes them. Some financial consideration should be made to address the potential for emergencies if such an event occurs during the next biennium.

Mr. Nuñez added that with the recommended allocation of funding for the 2011 CIP, the potential for an emergency continued to increase over time.

In response to Senator Leslie, Mr. Nuñez indicated that SPWB had always secured sufficient funding to address "needed" CIP projects in the past. Mr. Nuñez said the recommended funding for the 2011 CIP did not allow SPWB to address all "needed" projects, increasing the risk of an emergency situation in the future. He emphasized that the 2011 CIP, if approved, did not guarantee that an emergency situation would result.

In response to Senator Leslie, Mr. Nuñez reported that SPWB requested more projects for the 2011 CIP than what was recommended in The Executive Budget. Mr. Nuñez said the bonding capacity determined in December 2010 also forced SPWB to revise its 2011 CIP project recommendations.

Senator Leslie requested that Mr. Nuñez provide the Subcommittee with a risk analysis report of capital improvement projects that would not be addressed

during the 2011-2013 biennium. Senator Leslie said the Legislature had a responsibility to evaluate the risk that neglecting some capital improvement projects would pose.

STATE DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES
CAPITAL IMPROVEMENT PROGRAM (CIP) PROJECT NO. 11-M32, ROOF,
MECHANICAL SCREEN, AND HVAC REPLACEMENT – VALLEY OF FIRE
STATE PARK
BUDGET PAGE APPENDIX-8

Chris Chimits, Deputy Manager, Professional Services, State Public Works Board (SPWB), referred to [Exhibit G](#), page 17. Mr. Chimits said project Maintenance (M) 32 was a recommendation to replace the roof, mechanical screen, and heating, ventilating, and air conditioning (HVAC) system for the Valley of Fire State Park Visitors Center. The project would cost \$382,529, of which \$121,071 would be paid by existing Question 1 funds.

Mr. Chimits advised that the project was needed because the roof was 15-years-old and the HVAC units were more than 20-years-old. The HVAC units were also leaking in multiple locations.

In response to Senator Leslie, Mr. Chimits said the existing Question 1 funds for project M32 were residual funds from fiscal year (FY) 2006-07. Mr. Chimits confirmed that SPWB was currently in possession of the funds.

Senator Leslie noted that the Legislature should repair the Visitors Center because it was a beautiful building.

In response to Assemblywoman Carlton, Mr. Chimits said it was possible to install a solar-paneling system on the Visitors Center's roof to help pay for the Center's electricity. But Mr. Chimits advised that SPWB preferred to have 10-year payback periods for energy-savings projects, and solar panel projects exceeded that payback period.

Assemblywoman Carlton responded that solar panels for the Visitors Center would be an investment because the Center was expected to operate for 25 to 30 years.

Mr. Chimits said his agency had received \$7 million in American Recovery and Reinvestment Act of 2009 funds, and there were residual funds that could be

used for solar panels for the Visitors Center. Mr. Chimits said he would suggest Assemblywoman Carlton's idea at the next agency meeting.

Assemblywoman Carlton pointed out that NV Energy rebates may also be available to fund the solar panels. She added that the installation of solar panels would provide a source of employment for many Nevadans.

Senator Leslie echoed Assemblywoman Carlton's sentiments.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CAPITAL IMPROVEMENT PROGRAM (CIP) PROJECT NO. 11-M25, HVAC
SYSTEM RENOVATIONS – LAKE'S CROSSING
BUDGET PAGE APPENDIX-8

Chris Chimits, Deputy Manager, Professional Services, State Public Works Board (SPWB), told the Subcommittee that project Maintenance 25, a heating, ventilation, and air conditioning (HVAC) renovation at Lakes Crossing Center, was a \$427,129 project. Mr. Chimits said the project would be funded entirely by the state.

Mr. Chimits reported that the project would replace two outside HVAC rooftop units with one new rooftop unit and two air handlers. He explained that the existing HVAC units were 13-years-old and had reached the end of their service life. Mr. Chimits added that the new HVAC system would be more efficient than the existing system.

In response to Assemblywoman Carlton, Mr. Chimits said SPWB investigated the Seasonal Energy Efficiency Ratio (SEER) rating and rebates for the proposed HVAC units for Lakes Crossing. Mr. Chimits indicated that SPWB always sought energy-saving approaches to capital improvement projects.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CAPITAL IMPROVEMENT PROGRAM (CIP) PROJECT NO. 11-M26, HVAC
RENOVATION – NORTHERN NEVADA ADULT MENTAL HEALTH SERVICES,
BUILDINGS NO. 1, 2, AND 5
BUDGET PAGE APPENDIX-8

Chris Chimits, Deputy Manager, Professional Services, State Public Works Board (SPWB), remarked that project Maintenance (M) 26 was a \$752,638 project that would replace heating, ventilation, and air conditioning (HVAC) chillers at Buildings No. 5 and 10 to serve Buildings No. 1, 2, and 5 at the

Northern Nevada Adult Mental Health Services center. Mr. Chimits said that because Buildings No. 3, 4, and 10 were abandoned, the existing chillers were oversized and unreliable.

Mr. Chimits noted that project M26 would be entirely funded by the state.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CAPITAL IMPROVEMENT PROGRAM (CIP) PROJECT NO. 11-M37, HVAC
SYSTEM REPLACEMENT – DESERT REGIONAL CENTER BUILDING 1300
BUDGET PAGE APPENDIX-9

Chris Chimits, Deputy Manager, Professional Services, State Public Works Board (SPWB), said project Maintenance (M) 37, a heating, ventilation, and air conditioning (HVAC) renovation at Desert Regional Center (DRC) Building 1300, would cost \$313,706 and would be entirely funded by the state.

Mr. Chimits said of the 11 HVAC rooftop units on DRC Building 1300, two units were replaced in the 2009 CIP. It was recommended to replace the remaining nine units in the 2011 CIP because the units had reached the end of their useful life.

Chair Mastroluca reminded the Subcommittee that funds for project M37 would come from the cancellation of CIP project 09-C02a, an \$11.6 million child and adolescent hospital authorized in the 2009 CIP.

Assemblywoman Smith reported that she had recently visited the DRC and found that the buildings were old and difficult to heat and cool. She said the DRC was an example of Nevada's fragile infrastructure.

Mr. Chimits concurred with Assemblywoman Smith, voicing concern that the recommended \$27 million allocation to the 2011 CIP was inadequate. He added that legislators were welcome to discuss the risk implications of the recommended 2011 CIP with SPWB at another time.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

**CAPITAL IMPROVEMENT PROGRAM (CIP) PROJECT NO. 11-M38, HVAC
SYSTEM REPLACEMENT – DESERT REGIONAL CENTER BUILDING 1391
BUDGET PAGE APPENDIX-8**

Chris Chimits, Deputy Manager, Professional Services, State Public Works Board (SPWB), said project Maintenance 38, an \$804,321 project, would replace the hydronic piping and air handlers at Desert Regional Center (DRC) Building 1391. The project would be funded by the state.

Mr. Chimits explained that the project was recommended because the existing hydronic piping and air handlers were more than 30-years-old and had recently been malfunctioning.

OFFICE OF THE MILITARY

**CAPITAL IMPROVEMENT PROGRAM (CIP) PROJECT NO. 11-M05, VEHICLE
EXHAUST SYSTEMS REPLACEMENT – NANG FMS/CSMS BUILDINGS
BUDGET PAGE APPENDIX-8**

Chris Chimits, Deputy Manager, Professional Services, State Public Works Board (SPWB), said project Maintenance (M) 05 would replace the vehicle exhaust system at the Nevada Army National Guard's Field Maintenance Shop and Combined Support and Maintenance Shop. Mr. Chimits explained that the existing system used an underground system that could not capture the overhead exhaust from the Guard's modern vehicles.

Mr. Chimits advised that project M05 would be a \$150,835 project. The federal government would provide \$127,006 for the design and construction portion of the project. The state would fund the remaining \$23,829.

In response to Chair Mastroluca, Captain Daniel Thielen, Construction and Facilities Management Officer, Office of the Military, confirmed that when the existing exhaust system was installed, it was more common for Guard vehicles to expel exhaust from the bottom of the vehicles.

OFFICE OF THE MILITARY – CAPITAL IMPROVEMENT PROJECT
11-M06, EMERGENCY GENERATOR INSTALLATION – STEAD ARMY AVIATION
SUPPORT FACILITY
BUDGET PAGE APPENDIX-8

Chris Chimits, Deputy Manager, Professional Services, State Public Works Board (SPWB), told the Subcommittee that the recommended installation of an emergency generator at Stead Air Force Base's Aviation Support Facility was a \$787,307 project. The federal government would fund the design and construction of the project, resulting in federal funding of \$710,252 and state funding of \$77,055.

Mr. Chimits said the project was recommended because aircraft could not enter the Aviation Support Facility's hangars during a power outage. He said Facility emergency operations required that the Facility remained fully functional at all times.

In response to Senator Horsford, Gus Nuñez, P.E., Manager, SPWB, said state funding for the project would come from general obligation bonds supported by the ad valorem tax of \$.17 per \$100 of assessed valuation.

OFFICE OF THE MILITARY
CAPITAL IMPROVEMENT PROGRAM (CIP) PROJECT NO. 11-M29, HVAC
RENOVATION – STEAD TRAINING FACILITY
BUDGET PAGE APPENDIX-8

Chris Chimits, Deputy Manager, Professional Services, State Public Works Board (SPWB), reported that project Maintenance 29, a heating, ventilation, and air conditioning (HVAC) renovation at the Stead Training Facility, would cost \$118,776, of which the federal government would contribute \$102,950 for design and construction expenditures. The project would replace the HVAC units serving the Facility's kitchen and dining halls. It would also augment the insulation inside the walls of the dining halls.

Mr. Chimits explained the project was recommended because the existing HVAC system was 23-years-old, and the augmentation of insulation would make the HVAC system operate more efficiently.

In response to Senator Cegavske, Mr. Chimits indicated there was not an asbestos concern regarding the insulation augmentation.

OFFICE OF THE MILITARY

**CAPITAL IMPROVEMENT PROGRAM (CIP) PROJECT NO. 11-M45, WATER
TOWER MAINTENANCE – FLOYD EDSALL TRAINING CENTER FACILITY
BUDGET PAGE APPENDIX-9**

Chris Chimits, Deputy Manager, Professional Services, State Public Works Board (SPWB), advised that project Maintenance (M) 45, a water tower maintenance project at the Floyd Edsall Training Center Facility, would cost \$324,129. Of the project's total cost, the federal government would contribute \$145,673. The state would contribute \$178,456 to the project. Mr. Chimits noted that unlike projects M05, M06, and M29, the federal government would only pay for 50 percent of project M45's design and construction expenditures.

In response to Chair Mastroluca, Captain Daniel Thielen, Construction and Facilities Management Officer, Office of the Military, said the federal government supported the state's Army National Guard facilities at different contribution levels depending on the facilities' function. For example, the federal government will typically contribute 75 percent of a facility's design and construction if the facility is a readiness center. Aviation, maintenance support, and training facilities are funded completely by the federal government. Captain Thielen said in the case of project M45, the federal government would only contribute 50 percent because operations and maintenance projects on Army National Guard facilities on state property were typically reimbursed at that level.

Senator Horsford requested that SPWB provide the Subcommittee with an assessment of private sector jobs that each recommended 2011 Capital Improvement Program (CIP) project would provide.

Gus Nuñez, P.E., Manager, SPWB, agreed to Senator Horsford's request. Mr. Nuñez added that approximately 50 percent of funds allocated to CIP projects were used for private sector wages.

Senator Horsford advised Mr. Nuñez that with Assembly Bill 144 being considered in the Senate, Mr. Nuñez should anticipate complying with provisions regarding the employment of Nevada-based, private-sector companies for public works projects.

Returning the discussion to project M45, Mr. Chimits said the project would repaint the water tower and replace the water tower's controls and pump. Mr. Chimits said the water tower's controls and pumping system were no longer

operating consistently. He reported that the paint inside the water tower was deteriorating, contaminating the water and making it undrinkable for soldiers at the Training Center.

In response to Chair Mastroluca, Mr. Chimits said the water tower was functional but inconsistently so. He said the paint inside the water tower was peeling into the water.

In response to Chair Mastroluca, Tom McElroy, Nevada Army National Guard, said the Facility Center used local water and sewer systems. However, on the weekends, the Facility Center required the water tower's head pressure to provide water for 1,100 to 1,200 individuals. Mr. McElroy added that there was a 68,000 square-foot Floyd Edsall Readiness Center opening in 2012 that would require the water tower for full-service firefighting and drinking water.

Chair Mastroluca reminded the Subcommittee that funds for project M45 would come from the cancellation of CIP project 09-C02a, an \$11.6 million child and adolescent hospital authorized in the 2009 CIP.

In response to Senator Horsford, Mr. Chimits said his agency was unaware of the critical nature of the water tower project when his agency was developing plans for the Readiness Center.

Senator Horsford observed that the lack of coordination in incorporating project M45 into the planning of the Readiness Center seemed to be "a major shortcoming in the scope of that project."

Mr. Chimits agreed with Senator Horsford. He advised that it was common for SPWB to learn about such problems with new projects in the design phase. However, in this case the agency's civil engineers realized the water tower's problems after they had already completed the Readiness Center's design.

Senator Horsford wondered how the SPWB could avoid the coordination problems found in developing the Capital Improvement Program (CIP). Senator Horsford recalled an Interim Finance Committee meeting where Mr. Nuñez requested a previous CIP project at the University of Nevada, Las Vegas that had required a new ventilation system for nanotechnology research. Senator Horsford said, "What can you do to address this from a performance standpoint of Public Works? This is an inefficiency. We need to tighten this up."

In response to Senator Horsford and Chair Mastroluca, Mr. Nuñez said SPWB could increase coordination through additional advanced CIP project planning. Mr. Nuñez added that instead of waiting for the submission of project requests, SPWB employees should visit state facilities in advance to determine possible CIP projects. Mr. Nuñez lamented, however, that The Executive Budget did not provide adequate staffing levels for SPWB to be able to make such visits.

Chair Mastroluca said she understood the difficulties of having a minimal budget, but she urged Mr. Nuñez to develop a solution that would improve coordination and efficiencies in developing the CIP. Chair Mastroluca warned that if SPWB did not improve its CIP development process, more money would be wasted in the future.

DEPARTMENT OF WILDLIFE

CAPITAL IMPROVEMENT PROGRAM (CIP) PROJECT NO. 11-M01, ELECTRICAL AND SPRINKLER SYSTEM INSTALLATION – RENO WILDLIFE HEADQUARTERS **BUDGET PAGE APPENDIX-8**

Chris Chimits, Deputy Manager, Professional Services, State Public Works Board (SPWB), told the Subcommittee that project Maintenance (M) 01, a project to install electrical and sprinkler systems at the Reno Wildlife Headquarters, would cost \$1,213,854. The project would be entirely funded by the state.

Mr. Chimits reported that the Headquarters' electrical distribution board was more than 50-years-old. He added that the existing electrical breakers had caused electrical fires, and splices in the electrical wiring had caused arcing within junction boxes. Mr. Chimits stressed that completing the project was a high priority.

In response to Assemblyman Bobzien, Mr. Chimits said the recommended cost of project M01 included demolition expenditures.

In response to Assemblyman Bobzien, Patrick Cates, Deputy Director, Department of Wildlife, confirmed that other alternative funding sources were sought. But Mr. Cates considered the other funding sources "questionable" and said Question 1 bonds were already earmarked for other CIP projects.

Assemblyman Bobzien reiterated Senator Leslie's previous testimony, saying that despite state government's economic difficulties, if project M01 was not considered a high priority until this legislative session, there were probably other high-risk projects that were not being addressed in the 2011 CIP.

In response to Chair Mastroluca, Mr. Chimits said the demolition cost for the project would be \$140,000.

Chair Mastroluca requested that Mr. Chimits discuss the demolition cost with the Fiscal Analysis Division. She said the Division voiced concerns with that projection.

Mr. Nuñez said SPWB would fulfill Chair Mastroluca's request.

In response to Assemblyman Hardy, Mr. Nuñez said his agency always investigated whether it would be more economical to lease space for state agencies rather than owning space. Mr. Nuñez provided the example that it was more cost-efficient to finance and build the Department of Conservation and Natural Resources' facility instead of renting space for the Department. Mr. Nuñez remarked that with the current economic climate, it was more economical to lease space than to construct new buildings.

Assembly Committee on Ways and Means
Senate Committee on Finance
Joint Subcommittee on Human Services and Capital Improvements
March 1, 2011
Page 26

Assemblyman Hardy opined that the most successful businesses entered into long-term leases for their facilities to avoid maintenance costs in areas like electrical, air conditioning, and fire suppression systems. Assemblyman Hardy said long-term leases were an approach that state government should investigate for the future.

With no further business to come before the Subcommittee, Chair Mastroluca adjourned the meeting at 10:18 a.m.

RESPECTFULLY SUBMITTED:

Jordan Butler
Committee Secretary

APPROVED BY:

Assemblywoman April Mastroluca, Chair

DATE: _____

Senator Sheila Leslie, Chairwoman

DATE: _____

EXHIBITS

Committee Name: Assembly Committee on Ways and Means/Senate Committee on Finance Joint Subcommittee on Human Services and Capital Improvements

Date: March 1, 2011

Time of Meeting: 8:05 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Lori Chatwood, Office of the State Treasurer	An expanded program narrative of budget account 1082, the Consolidated Bond Interest and Redemption Fund.
	D	Lori Chatwood, Office of the State Treasurer	A handout entitled, "General Obligation Debt Capacity and Affordability Report, 2011-2013 Biennium."
	E	Lori Chatwood, Office of the State Treasurer	A PowerPoint presentation entitled, "General Obligation Debt Capacity and Affordability Report, 2011-2013 Biennium."
	F	Gus Nuñez, State Public Works Board	A document entitled, "2012-2019 Capital Improvement Plan."
	G	Gus Nuñez, State Public Works Board	A slideshow presentation of the State Public Works Board's recommended budget and proposed projects for the 2011 Capital Improvement Program.