

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

**Seventy-Seventh Session
February 14, 2013**

The Committee on Government Affairs was called to order by Chairwoman Teresa Benitez-Thompson at 8:05 a.m. on Thursday, February 14, 2013, 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 nelis.leg.state.nv.us/77th2013. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblywoman Teresa Benitez-Thompson, Chairwoman
Assemblywoman Dina Neal, Vice Chairwoman
Assemblyman Elliot T. Anderson
Assemblywoman Irene Bustamante Adams
Assemblyman Skip Daly
Assemblyman John Ellison
Assemblyman James W. Healey
Assemblyman Pete Livermore
Assemblyman Harvey J. Munford
Assemblyman James Oscarson
Assemblywoman Peggy Pierce
Assemblyman Lynn D. Stewart
Assemblywoman Heidi Swank
Assemblywoman Melissa Woodbury

COMMITTEE MEMBERS ABSENT:

None



GUEST LEGISLATORS PRESENT:

Assemblyman Pat Hickey, Washoe County Assembly District No. 25

STAFF MEMBERS PRESENT:

Jennifer Ruedy, Committee Policy Analyst
Jim Penrose, Committee Counsel
Bonnie Borda Hoffecker, Committee Manager
Maysha Watson, Committee Secretary
Cheryl Williams, Committee Assistant

OTHERS PRESENT:

Kim R. Wallin, State Controller, Office of the State Controller
Dan Musgrove, representing the City of North Las Vegas
Timothy R. Hacker, City Manager, City of North Las Vegas
Tracy Bower, Senior Director, City Manager's Office, City of Henderson
Andy Hafen, Mayor, City of Henderson
Jacob L. Snow, City Manager, City of Henderson
Joni Eastley, Assistant County Manager, Nye County
Bill Uffelman, representing Nevada Bankers Association
Reginald L. Truman, Western Regional Director, Promontory Interfinancial Network, LLC
Keith L. Lee, representing American Share Insurance Company
Alan B. Rabkin, Senior Vice President, General Counsel, Heritage Bank of Nevada
Alvin P. Kramer, Carson City Treasurer

Chairwoman Benitez-Thompson:

[Roll was called and protocol reiterated.]

We are going to be hearing a series of presentations this morning, and then we will be hearing one bill: Assembly Bill 78. We have two presenters this morning who have some tight time frames. We are going to start with our State Controller, and then we are going to move into City of North Las Vegas.

Kim R. Wallin, State Controller, Office of the State Controller:

It is a pleasure to be here this morning. Thank you for allowing me the opportunity to come and talk to you a little bit about what the state controller does. Oftentimes, people do not know what we do.

In my office, I have a staff of 42, which is down from 45 in 2007. I want to introduce a few of my staff members who are here: Chief Deputy Susan Hart, Chief Accountant of Operations Lee Ann Hollingsworth, Chief Information Technology (IT) Manager Alex Echo, Administrative Assistant Michelle Mann, and Chief Accountant of Debt Collection Haydee Meeker. Brenda Laird, my Comprehensive Annual Financial Report (CAFR) accountant, who oversees financial operations could not be here today due to a previous commitment, but I want to mention that, under her supervision, the State Controller's Office has continued to receive awards of excellence for our CAFR and our Popular Annual Financial Report (PAFR), as well. All of these reports, of course, are on our website, and we will talk about them in a little bit. I have to tell you that I am really proud to have the staff that I have. I think they are top-notch and do an excellent job for the state.

I have brought with me the PAFR ([Exhibit C](#)). It is on the Nevada Electronic Legislative Information System (NELIS), but we also have hard copies if you would like to see them. I did not bring any copies of the state CAFR ([Exhibit D](#)). It is on our website, but this is what it looks like. It is our financial statement. It is about 160 pages long. What I recommend for all of you to do, just so you get a flavor of the state's financial situation and our finances, is to read the transmittal letter and the management discussion and analysis letter in here. I think it will give you a really good understanding about the various funds that we have in the state and what component units are, how some of our expenditures have changed or decreased or increased and why, and why our revenues have increased or decreased, as well. There is also a great statistical section in there that talks about where we get some of our sales tax revenues from, the bigger industries, and it also talks about our debts. Please take a look at that. As I said, it is on our website.

I also have a copy of our PAFR ([Exhibit C](#)), which is also known as our Citizen-Centric Report. This is a four-page report. It is for our citizens, and what is really nice about it is that it is written in language that nonaccountants can understand, unlike the CAFR. It probably has more words than numbers. On the front page of it, it talks about what we want to do when we get a stable financial base—or tax base—here. It has some demographic information on the first page. The second page talks about our progress, where we have had some successes here in the state, and also some performance indicators. The third page is a nice snapshot of our finances. It shows our revenues and our expenditures and the major categories. I want to point out something to mention to you. On here, we have a category called Operating Grants. That is the money that we get from the federal government. In 2007, it was at 29 percent. Now we have 42 percent of funding that comes from the federal government. With the talk about sequestration, if that happens, we do have

some serious problems facing us. On the back side, we also talk about our challenges, of which we have many. Something to make note of: our sales tax revenue is still down 15.8 percent from prerecession levels, and our gaming taxes are still down 14 percent from prerecession levels. There is a small section on here that talks about our intergovernmental dependency on the federal government and some of where our major funding sources come from, as well. Please take the opportunity to check those out, as well.

Moving on here to tell you a little bit about myself. I am the first Certified Public Accountant (CPA) to be elected to this office in 50 years. I am the first Certified Management Accountant (CMA) and the first Certified Financial Manager (CFM) to ever hold this office. I think it is very important to have somebody in this office that has an accounting or financial background because the controller is the chief fiscal officer (CFO) of the state.

In the state, our mission here is to advance accountability, continuity, and efficiency in the state's financial operations. Some of the things that we do: we administer the statewide accounting system, which is often referred to as the Integrated Financial System (IFS). We also prepare the annual financial statement, which is that CAFR that we showed you. We oversee the annual audit, and we are also responsible for settling all claims made against the state as well as collecting all debts that are owed to the state. We are also charged with looking for waste and inefficiency.

Since I came into this office, we have been working internally, and gradually, we have been expanding externally, as well. My staff has gotten used to it, I think, but I will go around and ask them why they do it this way. If they say it is because that is how they have always done it, that is always the wrong answer. We have really made a lot of changes. I love it when we get new employees to come in because it is a fresh set of eyes, and as they are learning how to do their jobs, they are asking us questions about why things are done a certain way. We do billing claims where agencies charge other agencies, like Motor Pool Division charges for renting a car. We had a situation just recently in our operations area where a new employee came in and asked why every agency has a different billing claim instead of just one. It would be different columns and different orders, and when they did the data entry, it would take them longer or cause them to make more errors. Now we just have one billing claim for them. This has really decreased the number of errors and improved the efficiency of the data entry. The list goes on, as well.

One of the other things that we have in our office is a performance measure that tracks the dollars that we save by using in-house IT professionals instead of having to go to outside contractors, which in the state are called

management service agreements (MSA). We estimate that we probably save over \$900,000 a year in our office by being able to do the programming in-house. One of the reasons is that I am paying my programmers, basically, \$85,000. That top amount includes benefits. If we were to hire one of these MSA consultants, the cheapest we could get them would be \$125,000 a year up to over \$250,000 a year. You can see where we have the savings there. The other great thing about having it in-house is that we can make changes on demand rather than having to go outside. Just recently, we did some programming ourselves, and that kept us from having to buy a \$60,000 software package for our file box. The list goes on. We continue to save money that way, as well. In 2012, we estimate we saved over \$961,000 in in-house savings.

We are just now completing a project that will increase our efficiency by automating the reporting for our Single Audit Report. Every single agency that gets federal dollars, for every single grant that they get, they have to go and do a report to our office of what they received and what their expenditures were. They send that to us, and then we put that on a huge spreadsheet. Sometimes we have to rekey it in, and then we send that to our auditors. It is a very manual labor-intensive process. Now that will be automated. It is going to reduce errors. Agencies, invariably, when they would do the spreadsheet, the numbers would not match what was in our statewide accounting system, and I have to tell you, our auditors were not really happy when they had that happen. Now, they will actually draw that information directly from the statewide accounting system. We will reduce that. We will have the ability to do more analytical work that our auditors are asking us to do. Had we not done this, our auditors would probably be looking at raising our audit fees another \$50,000 a year. We did this for \$50,000. We have got tremendous savings in that, as well. By doing that, by reducing the data entry and having to spend time on this report, people can now spend more time on the programs and serving our citizens.

I wanted to talk about collecting debts owed to the state. I have talked to some of you, and some of you wanted to learn more about the process. Just to give you some information on our debt collection: in 2010, we were collecting 28 percent. That was up from 11 percent in 2008. We are now collecting only 19 percent. In 2010, they eliminated my assistant controller position, which was the person who oversaw debt collection. We lost one full-time employee, and I think that is one of the reasons why our collections went down. We saved \$200,000 by eliminating the position, but we probably lost \$2.7 million by eliminating the position. In the last session, the Legislature gave me some great new tools to go and collect debts, such as treasury debt offset. That means that if you are a vendor of the federal government, if you owe the

State of Nevada money, the federal government will send us your check, which is great. The other tool that we have is financial data matching, which is the same thing that we have for collecting child support. We can send an electronic file to the bank, and if the debtor has a bank account in Nevada, then we can collect that money as well from their bank account. I have not been able to implement those programs because I do not have the staff to do that.

I think that, going forward, if we can staff our debt collection department completely and continue to automate the collection of data from the agencies, we can increase our collections. Let me explain the process. In 2009, Assembly Bill No. 87 of the 75th Session was passed that made it mandatory for agencies to turn their debts over to my office when they became over 60 days old. Prior to that, they would send it to us whenever they wanted to, if they wanted to. If they are over 60 days old, they are supposed to turn them over to us unless they get an agreement from me that they can turn them over to me later. When we receive the debt from the agency, then we go and notify the debtor that they have been sent to our office for collections. We actually get pretty good responses because sometimes people think "controller" means "cop" or some kind of law enforcement. We send them a letter, and they have three choices: (1) pay in full, (2) set up an installment plan or (3) get sent to collection. If the debt is over \$300, then that debtor has to pay for the collection agency fee as well as the debt that they owe to the state. The collection agency fees range from 8.5 percent to 35 percent. At the high end, that is for the debtors that they have to go and do a lot of legal work for. As the money is collected, if it is non-General Fund money, it goes back to the agency. We collect debts for the Department of Motor Vehicles (DMV), and that goes back to DMV and to the highway fund. If it is General Fund money, then it goes into our Debt Recovery Account, and that money is there to be used with the approval of the Interim Finance Committee (IFC) for technology improvement in our debt collection processes and any expenses related to debt collection.

Last session, there was a bill passed that would allow cities, counties, and the court system to send their debts to the Office of the Controller to have us go and collect it. Being short-staffed, that is not something I pursued these last two years. Hopefully, we can go and do that. Statistics have shown that centralizing debt collection really does improve collection. Most agencies, many courts, and a lot of the smaller cities do not have somebody on staff to do debt collection. It makes sense to have it centralized where you have got the staff specifically for that. That is pretty much it on my debt collection area.

This session, just coming before you briefly, I will have two bills. I will have Senate Bill 21, which will give me some more tools to help me go and collect

debts. The highlight of that is that if you have a professional license and you owe the State of Nevada money, you would not be allowed to go and renew that license. The other one would be Senate Bill 56, which brings our laws and statutes in line with generally accepted accounting principles. In my statute, I have the option of doing the CAFR, following generally accepted accounting principles or the Nevada Revised Statutes (NRS). The bond rating agencies want generally accepted accounting principles. That is why I followed generally accepted accounting principles. That is what that bill is.

I am keeping it short because I know the other group has a presentation, as well.

Assemblyman Stewart:

You have always been very effective in making your presentations and doing your job. I appreciate you very much. What other enforcement tools do you have on debt collection besides not allowing them to renew their licenses if they have a state license? Are there any other effective things you can use?

Kim Wallin:

As far as enforcement, agencies are not supposed to do business with people who owe the State of Nevada money. We do what we call "debt offset" within our office. We do have a debtor who now works for a state agency. What we do in this situation is once we pay that person, we immediately take that check. We do not send them a paycheck. We then notify the employing agency that the person owes us a debt and to think twice before renewing their employment contract. The licensing one is one that is proposed. As I said, we have the other tools for treasury debt offset, which I mentioned; a collection tool, which we are not using, and then the financial data matching. For enforcement, I think the license is a big thing. A lot of states are going this way. Some states have gone and said that if you owe a debt to the state, they will not allow you to get a fishing license, a hunting license, or your driver's license. I am not going that far. Those are not in there.

Assemblyman Stewart:

Have a number of people, companies, and so forth, who owe debts gone bankrupt?

Kim Wallin:

Let me tell you a little history here. That might help. When I came in, we had a portfolio in 2007 of about \$10 million in debt. After Assembly Bill No. 87 of the 75th Session, because agencies have to start turning debt over to us, our portfolio is over \$100 million in debt. I have to tell you, probably 70 percent of those debts are over two years old. Some are even 5,000 days old. We write

off the ones that are in bankruptcy. We do not do anything at all about it. I think that as agencies start to turn the debts over to us in a timely manner, the collections will go up even higher, and as we get all the agencies in compliance, that will help as well. Not all agencies are in compliance. For example, the Department of Taxation is not in compliance at this point in time. They have only turned over about \$11 million in debt to us. Six million dollars of it was for debt offset, and \$1 million of that was for a nail salon. I do not think the State of Nevada is going to be doing business with nail salons. Why send that to us for debt offset? It does not make sense. To tell you how important I think it is that Taxation comes into compliance: as of the end of our fiscal year, their total receivables were \$216.5 million. Of that amount, \$191 million was over 121 days old. They are not going to be collecting a lot. They really need to start turning it over. They were going to turn over about 20,000 accounts of \$500 and less in July, and I still do not have those debts yet.

Assemblyman Healey:

You had mentioned that some of those collection fees you are able to get going to the debt collection fund, and you had lost your assistant controller. Can some of those fees that you collect in that fund go to possibly bringing back someone? It does not make sense to cut \$200,000 and lose \$2 million.

Kim Wallin:

Actually, right now we estimate that by the end of this fiscal year we will have about \$400,000 in our reserve account. One reason why we have not been able to do that is that when we put the money into the account—and this will be part of that S.B. 21 that will come before you—agencies, as far as three years after we have collected their debt, are coming to us saying that it was not General Fund money and we should give it back to them. It is really hard to go and budget for something when you do not know how much money is going to be in that reserve account if you have agencies taking that money. In S.B. 21, we were asking that they only have 60 days after we collect it before they can ask for it. Also, there are all these questions about whether or not it is really General Fund money or non-General Fund money. Some things are cut and dry, like DMV, but when you are dealing with agencies that have federal money and General Fund money, it is not cut and dry. For example, we just collected \$1.5 million for Medicaid. We have taken that debt to the Board of Examiners to be written off so we would not have to send money to the federal government. The agency says that it is federal, but we are not sure if it is. We had to give them that money back, and it may have been General Fund money. I would have loved to have \$1.5 million dollars in there. I could have funded it. In the Governor's recommended budget this year, they are recommending that 85 percent of the controller position be funded from this reserve account and 15 percent from General Fund, but the rest of the debt collections are funded

through that account. It is supposed to be for technology. That is not really a stable way to do it. What if we do not have the money in the reserve account in two years? Then we lose another \$2.7 million if we do not fund it. It is better to be General Fund funded.

Assemblywoman Bustamante Adams:

Can you just explain how the teams stay above or informed about best practices in this area? Do you belong to any associations? How do you keep yourself informed? Could you expand on the MSA portion of your presentation? How do they get their training? Do they stay on top of the latest technology? How does that work?

Kim Wallin:

For my team, the way they stay up to date is that we do send them to debt collection classes when they are available and when we have funding available. My previous Deputy Attorney General (DAG) actually got a scholarship to go and attend a debt collection class. They shared all that information and had a class for my debt collection staff, as well. There are organizations from the Internet that they can go to and get best practices, and the National Association of State Auditors, Comptrollers and Treasurers (NASACT) has actually done some studies with other states and what they are doing in collecting debt, which we have shared with them, as well.

To the other point about the MSAs and how they stay current: they are IT professionals. They are from outside the state government. They are attending their IT training classes. They constantly stay up to date on this stuff. However, I have to tell you we have some really old systems. A lot of the systems are still programmed in COBOL, which is not even being taught anymore, and these people are getting old out there. The training for those has not really changed, and that is why we are going to have to really start switching over to up-to-date products.

Chairwoman Benitez-Thompson:

I am not familiar with the computer software you referenced, but I saw half of the audience laugh. It must mean it is fairly antiquated.

Assemblyman Oscarson:

I concur with the comments from my colleague from the south about you really looking hard at the replacement of that position because if we have lost \$2.7 million as a result of a \$200,000 position, that is very frustrating. The second thing I want to do is applaud you for your in-house efforts. One of the things we talk about a lot is utilizing in-house services and those kinds of

things, and it looks to me like you have that down pat. I applaud those efforts of your department for doing that.

Kim Wallin:

I have to really give credit to my IT Manager Alex Echo. He has done a lot to go and make sure that people are cross-trained. When our state got our new IT system, or statewide accounting system, once the vendor left, we had gone and made sure that there was a knowledge transfer so my staff could actually do the programming for the system. We have not had to go and have the vendor maintain it. It is so old now that it is not even maintained by them anymore. Thank goodness we have this staff, and Mr. Echo has also done a great job in cross-training. Oftentimes, agencies will only have one person who knows how to do that job, and when that person retires, the knowledge is gone. We have made great efforts to cross-train everybody in our office, and this is true in all functions of the office, debt collection and our CAFR financial reporting area operations, as well.

Chairwoman Benitez-Thompson:

I believe that is all the questions from Committee members. Thank you so much for your presentation today. We look forward to when your bills come from the Senate side over to the Assembly.

Now I welcome to the table the City of North Las Vegas. We have with us City Manager Timothy Hacker. Down in Las Vegas, we have Mayor Shari Buck. We also have at the table Dan Musgrove and Tim Bedwell.

Dan Musgrove, representing the City of North Las Vegas:

It is my pleasure to introduce our team to you today. Since 1999, I have been representing local governments here at the State Legislature. This Committee is very important to what we do. It is an honor for us to have the chance to come before you today. I wanted to introduce one of new team members. On my far right is Sergeant Tim Bedwell. He is a great addition to the legislative team. He brings great experience to the table in both constituent services and public information officer (PIO) abilities. While I am a contract employee, Mr. Bedwell works for the City of North Las Vegas. We are going to be your resources here for this session.

To kick things off, we are going to ask our city manager, Mr. Hacker, to go ahead and take the microphone. Again, thank you for this opportunity.

Timothy R. Hacker, City Manager, City of North Las Vegas:

We appreciate the opportunity to come before you and tell you a little bit about our great community. Since I know that time is of the essence, I am not going

to read to you. I think you are all very capable at doing that at your leisure. Of course, anything that is of interest to you, please bring that forward in the form of a question. Mayor Buck and I would be happy to address it.

The City of North Las Vegas was incorporated back in 1946, and I think it is interesting to note that in 1946 we had a pretty large population of 1,500. Our size was three square miles ([Exhibit E](#)). We had an assessed valuation of \$575,000. Our city budget was a mere \$46,000. We had nine personnel in four different departments. As you will hear through the rest of this presentation, that has changed dramatically. I think, even on the sheet [[Exhibit E](#), slide 2], you can see that the city is now 100-plus square miles. We were one of the fastest growing communities. I think one of the most important things for this community and this state is that we have 57 percent of our land undeveloped and ripe for development.

Of course, we are a charter community. I believe there are fewer than ten charter communities in the State of Nevada, and while some of the laws that pertain to us have changed, the fact that back in 1946 we had those 1,500 brave souls bring forward the request to become a community was respected by the Legislature as what cannot be lost.

Our city services are complete and extensive, and we provide you a list of those [[Exhibit E](#), slides 4 and 5]. As Mr. Musgrove had mentioned, we do have a full-time staff person up here in the form of Mr. Bedwell. Those of you who have representation of North Las Vegas in any way, shape, or form, if you have constituents call you, bring them to Mr. Bedwell, and he will definitely get hold of the appropriate person down at the City to rectify those issues.

The Controller set a good stage because we could bring our CAFR, we could bring our budgets, and they are very thick and imposing documents, as well. Looking at our statistical profile at a glance [[Exhibit E](#), slide 6], while you see things in certain areas grow, you see other areas diminish. In our total square miles, of course, we have grown over time. We have seen parks grow because we have had to add, for example, the 18-hole championship golf course, in addition to some smaller neighborhood-oriented parks, because of a development agreement that was struck earlier in this decade. You see our city-owned facilities dropped by at least 12. When the new City Hall was opened, it was designed to provide a centralized service center for a lot of different departments and different functions under one roof.

I would be remiss if I did not mention that, while we were the fastest growing, we have, I believe, even maintained the distinction of being the most racially, economically, and socially diverse community in the state of Nevada. I think

that is our strength. That is something that I have been told is historic, maybe even back in 1946. We are very proud of that.

While you look at the financial profile [([Exhibit E](#)), slide 7], you will definitely see numbers starting at a higher range and decreasing over time. I point that out as far as our revenues and our expenses. What we are most proud of is at the bottom, where you see that we, the Mayor and City Council, have taken some decisive actions to ensure that our bills are paid and that our debt obligations are satisfied. To that end, we have seen an improvement because of their direction of a bottom line or an undedicated fund balance.

There are definitely some realities of the Great Recession [([Exhibit E](#)), slide 8]. Our general fund definitely reduced by \$38 million in the different revenue sources, and that is a dramatic decrease for us. Property values in our community have dropped dramatically. We are the epicenter of the mortgage and foreclosure crisis, beginning back in 2009. Our unemployment rate had reached its high at 17 percent. Our residents are still some of the most unemployed in the state. Our executive team was really in flux as a result of that. When I came on board, we really had nine department director vacancies to address.

We do see signs of stability, and we like to think we are building a foundation of stability. We have solidified that management team I mentioned earlier. We have opened the new City Hall, and again, that shows that we have an eye to the future but are also mindful of today's challenges in delivering services. Instead of having our residents and our developers and our builders go to all these different sites, they can come to one site and gain the business that they need to gain. Our Water Reclamation Facility has opened. It received a Platinum Award for Utility Excellence. Utility is very efficient and very much allows us to plan for future growth. Recall that we still have 57 percent of our land resource available for development. I have department heads that are extremely good at securing outside resources and funding. Craig Ranch Regional Park is set to come online later this year, hopefully around Labor Day. That was predominantly, if not all, paid by the Southern Nevada Public Land Management Act in a series of grants that they provided. We are active in neighborhood stabilization, getting money back in to stabilize our communities and our neighborhoods. Public works projects are so numerous that they are hard to list, but again, we have staff that are very dedicated and talented at going out and seeking outside resources to keep our community going forward and provide valuable services to our residents. I would be remiss if I did not touch on interlocal agreements. There were studies done after the last legislative session that resulted in us working with

our neighbors. I believe you heard last Friday from my counterpart Betsy Fretwell about the interlocal agreements regarding our detention services.

There is a path to stability. A lot of that has to do with the strategic planning efforts that have been underway, starting back in September of 2011, finalizing in January of 2012, and revisited most recently in November of 2012. We want to make sure that we are addressing our citizens' and residents' needs and that we are adequately budgeting and allocating those scarce resources to address their needs.

We look forward to creating stability in our five-year goals. Just a highlight: we have talked a little bit about financially stable city government. I have shown you some of what that means and what it results in with an improved undedicated budget reserve for the general fund. We have a detention agreement with the City of Las Vegas, but we still have a detention staff. It is our detention operations. We just found a partner to lease us space that is definitely much more efficient and has allowed us to improve our operations in a much more efficient manner. Even though we had to declare a fiscal emergency and suspend paid increases for public safety officers, we did not do layoffs or fire police personnel. That was the intent of that. We tried unsuccessfully to work with our unions, but frankly, the commitments of the Mayor and Council is to make sure that we had cops on the beats and firemen in their seats. We were able to do that.

We work tirelessly with our Southern Nevada Regional Planning Coalition. We work on issues as far as homelessness and getting homeless people to the variety of services that are available to them. We have passed an ordinance establishing a foreclosure registry program, again, to stabilize our neighborhoods. Most recently, we are very proud of the established Adopt-a-Park program, where we are seeing engaged citizens coming forward, stepping up, being involved, and taking care of their city facilities. We are upgrading city facilities. The North 5th Street project is a huge arterial project that will benefit the Valley on the north-south arterial. That has been funded to the tune of \$140 million, at this point, and several of the phases are underway. I think, most notably, of course, is the bridge over Interstate 15. If you traverse that area, you will see that. Our wastewater discharge agreement with Clark County brought an end to some quarreling that we were able to bring to a resolution and work again with Clark County.

Most importantly, we have a renewed interest in Park Highlands, which is a planned development on almost 2,000 acres. Distinctive image and community identity starts out with small things. We believe that with our remaining staff—and you have seen some of those dramatic decreases from a high of over

2,200 staff down to 1,200 staff—we need to recognize when they do something extraordinary and where they are serving our customers. In addition to starting a customer service and appreciation program, we have a pledge, then we identify employees of the month and teams of the month, celebrate them at a city council meeting, and provide them some recognition for their efforts. The Neon to Nature trail system in the Las Vegas Valley is something that we are dedicated to and definitely undertaking. While we have ten miles that are currently usable, we would like to add another four to five miles. Lastly, the national monument that we are working with Clark County and the City of Las Vegas to achieve is the Tule Springs Fossil Beds National Monument, where you have heard a lot of talk about the Ice Age fossils and things. We look to that. That will also include lands for our future campus for the University of Nevada, Las Vegas (UNLV) to further enhance North Las Vegas.

Growing a diverse local economy, Mayor Buck saw fit to establish an economic development advisory committee, pulling together local and regional leaders to give that outside advice. We are all challenged with government. It should be more businesslike. Let us get some business leaders in to help us. That is paying off dividends and the furthering of potential development authority. Again, that will help us tie in better, as we see, in our regional partnership with the Regional Development Authority and continue our relationship with the Las Vegas Chamber of Commerce, as they recently absorbed the North Las Vegas Chamber of Commerce. We are focused on business recruitment, tying back into the Regional Development Authority, and we have seen some payoffs in automotive, high tech, and industrial businesses, as well as medical. I think most significantly is that the new Veterans Affairs Medical Center, although they serve a very distinct and unique patient, is definitely something that is going to bring people to southern Nevada. We hope to see more businesses spin off from there, as well.

With that, the last sheet [([Exhibit E](#)), slide 14] just tells you about our key contacts. We would be happy to answer any questions you may have.

Assemblywoman Bustamante Adams:

I know that you mentioned that you were the epicenter of the mortgage crisis. With the settlement money that the Attorney General was able to get for Nevada, how were you making sure that your citizens are taking advantage of the resources available for that?

Tim Hacker:

We have a very dedicated staff in our Neighborhood Services Division who are very engaged with our community. We have some direct programming dollars

that come to us that are our predominant focus, but we are aware of the settlement money and we are working with local lenders to make sure that our community is aware of it, as well. I do not know what percentage of participation we have, but we definitely are doing what we can to get that message out.

Assemblywoman Neal:

I have a couple of questions. I represent North Las Vegas, and for my constituents, you have a planning use permit that you have to apply for before you go before the Planning Commission. What came to my attention was that it is about \$500 to apply, and for a business that is applying for this, if the Planning Commission does not like your plan, you do not get the \$500 back. I found out that was in the municipal code. For a business owner, they are taking the risk and might not even get through the hearing. Why do you have that in code? What is the reasoning?

Tim Hacker:

Unfortunately, I wish we were unique. I do not believe we are unique in the Valley or across the United States. I actually started my career in planning. The fees are established, basically, as cost recovery. It seems like a lot if it is out of your own checkbook, but we have a lot of costs up front for the public notification requirement, the staff time to evaluate and pull together recommendations to the Planning Commission, who then makes a recommendation to the City Council. Everybody does go through the process. They may not be pleased with the outcome from the Planning Commission, but they will make it through that to a recommendation to the City Council for final action.

Assemblywoman Neal:

My second question still deals with planning. Over the Christmas break, I had the wonderful opportunity to read the *North Las Vegas Downtown Master Plan* and then the *2006 Planning and Zoning Comprehensive Master Plan*. What was confusing to me was, within the definitions itself, you have this phrase, "catalytic development." It actually is not in the plan, but it is being stated by the planning committee. What is a catalytic development opportunity?

Tim Hacker:

I will try to address what I know and that is that we definitely have layers of plans, and the general comprehensive plan you recognized as the 2006 plan addresses zoning throughout the community. The more detailed plan, then, would be that development for that downtown corridor, or redevelopment area. I am going to be honest, I do not know what that particular term references, but

we can definitely get that information back to you. I actually moved out of the planning field into management for a reason, and I think that is it.

Assemblywoman Neal:

I just want to clarify this. The reason why I brought this up is because a business owner, who was seeking to expand, was denied based on what I thought were vague and overbroad definitions of what a catalytic development opportunity is and what was determined as attractive. You have certain policies: enhancement of stabilization, economic diversity, supportive business environment, et cetera. I had to then challenge and say that those reasons for denial are vague and overbroad. I went back to the early community meetings that established the plan so you could get community input, and is not the determination of what is attractive going to be decided by what the community residents said in the town hall meeting versus what the Planning Commission has decided is attractive? There has to be a balance between what the community said they wanted, which was documented, and what the Planning Commission had decided, which to me was a vague and overbroad term.

Tim Hacker:

It may take a few of us to address that, but those are very good points. The planning process seems nebulous until you are in it. The citizens that serve on the Planning Commission—again, they are volunteers and citizens—most likely were engaged and active in that planning development. Zoning is where it is very hard and fast. There are setbacks. There are very distinct rules on bulk. There are requirements for the actual physical development on a piece of property. The plan is a little more nebulous. It seems subjective, but there are guidelines that are provided. Again, the citizens that volunteer and are appointed to the Planning Commission at that time do look at that planning document, and the best information is provided from that document by staff. Of course, staff take what they have in front of them and make a recommendation to the Planning Commission. The Planning Commission can then make a recommendation based on their findings, and that is forwarded to the City Council. The nice thing about the process is that there are several different levels on which to address your concerns if you do not feel that there was a fair outcome from the Planning Commission or the staff's analysis.

Mr. Bedwell indicated that he might have some knowledge as far as the catalytic development opportunity, if you were still interested in understanding that term.

Chairwoman Benitez-Thompson:

Under your "Safest and Most Beautiful City in the Las Vegas Valley" bullet point [([Exhibit E](#)), slide 11], you talk about ordinances that you have passed to establish a foreclosure registry program. Could you tell me more about that?

Tim Hacker:

Again, we are following suit with our counterparts in the Valley, and even across the nation. You have seen that kind of reaction where municipalities have found a lot of nuisances created out of foreclosed homes that have been abandoned and put into disrepair. This registry requires that as these foreclosed homes are brought back under bank or mortgage ownership, they need to get on the registry so that we have a contact person. We have an entity from that neighborhood to whom we can address concerns so that they can get those remedied. We are following suit. Clark County and the City of Las Vegas had adopted that prior to us, and we are just trying to show a unified front on how we are stabilizing neighborhoods.

Chairwoman Benitez-Thompson:

At the top of that same page, within your five-year goals, you talk about restructured debt payment. Is your goal within five years to come up with a plan for 100 percent of your debt service, or is it to have it paid off in five years? Could you talk a little bit more about that?

Tim Hacker:

That is just celebrating something the City Council did in the late fall and winter of 2011 where they restructured some debt to allow us to improve cash on hand. They thought it was best to establish an 8 percent budget balance to show the bond holders that we were serious about being stable and about making those debt service requirements. As far as other debt, as those structures come available for refinancing, we definitely will be evaluating those, as well.

Chairwoman Benitez-Thompson:

What is the bond rating, then?

Tim Hacker:

I wish I had better news on the bond rating front, but with the slowdown in the economy, it is amazing that the three main bond rating firms out there have just had a lot of time on their hands to come back and revisit our bond rating, as well as other municipalities here in Nevada. We did recently receive from Fitch Rating an improved rating and outlook, I believe. You go from a watch list to an outlook list, and my accountants seemed to celebrate that. I am definitely

not a bond rater myself, but I am told that we have seen just a very subtle improvement, if not just a leveling off.

Chairwoman Benitez-Thompson:

I was wondering if the restructuring of those debt payments in any way, positively or negatively, affected your folks' bond rating.

Assemblyman Stewart:

Can you expand a little bit on the Tule Springs national monument issue and how that is going along? How soon do you expect that to be in effect? Also, I believe the Las Vegas Motor Speedway is within your boundaries. Is that correct?

Tim Hacker:

The speedway is not in our city limits. We do go around the speedway. There is an agreement with the owner of that property, and at some time, that could be annexed in but we left that to the developer of that project. Secondly, on the Tule Springs national monument approach that has been reintroduced into Congress by Congressman Horsford, we are working with the City of Las Vegas and Clark County on achieving that designation, as we believe that with the rise of ecotourism throughout the United States, there could be a real benefit to that. There are also additional lands in there. I mentioned UNLV. There are some future campus plans there. There is a complementary component to that for research and development north of where the Veterans Affairs Medical Center sits. It even goes so far out to almost touch the Nellis Air Force Base students' project, as well.

Assemblyman Munford:

I am very closely attached to North Las Vegas. Because of the reapportionment, I inherited quite a bit of North Las Vegas. I have 25 or 30 percent. I do not know. Plus, I have Assembly District No. 6, which is old west Las Vegas. We are two communities that are in dire need of economic development. We need job creation. We have a lot of needs in both areas. I do not know what your plan is or what you are proposing to do. I know you need more interested investors that want to locate in the community. Are you landlocked, or do you have a lot of available land? That is the first big step for any investor. They have got to have land. I do not know what your status with land is. I know you seem to have quite a bit. I do not know if it is privately owned. Does the City own it? What is the status of that?

Tim Hacker:

At this last redistricting, North Las Vegas did gain some more direct representation, and we are very much appreciative of your mentioning that,

Assemblyman Munford. Our land availability, I mentioned earlier, is about 57 percent of that 100 square miles. Most of it is publicly owned, not by the City of North Las Vegas but by the federal government. It is still held by the Bureau of Land Management (BLM), but it is accessible, of course, through the various auction processes and whatnot. We do have some redevelopment areas where the city has engaged in purchasing parcels and trying to accumulate parcels to prepare for redevelopment. We do own some land. There is even a 40-acre site across from City Hall. There is a shopping center planned for it, a plaza called Las Flores, which the downturn in the economy put on the back burner until they can reengage and ensure that it will be a successful project. However, they are engaged. We do hear from that developer on a very timely basis. We are interested when people do bring attentive, well-funded parties to our community. We have had some successful projects come out of that.

Assemblyman Munford:

That is wonderful. What happened to that proposed project where UNLV was supposed to locate a campus in North Las Vegas? Is that still a possibility? Where does that stand? I know with that you could create some jobs, plus the fact that it might help your foreclosures. People always want to live near where their jobs are. Maybe some people could move into the area—in terms of property taxes and things of this sort. What is the status of that project?

Tim Hacker:

The UNLV parcel for a potential new north campus—again, I will not speak on behalf of UNLV—but I believe those lands are a parcel of a thousand-plus acres. It is included in that Tule Springs monument designation. Unfortunately, until it is heard and taken out of committee, it has just been reintroduced at the congressional level here recently. I think Assemblyman Munford makes a very good point. We saw an uptick in people looking for properties and residences when the veterans' medical center opened, and as it continues to phase into full production and service delivery out there, we are starting to see some great opportunities for people to move back into that area of the community.

Chairwoman Benitez-Thompson:

For a follow up to Assemblywoman Bustamante Adams' questions: if you could get back to the Committee with what the plan is in North Las Vegas for outreach on the funds that are rolling out of the business and industry program on foreclosed homes, that would be great. I think that money is on a first-come, first-served basis. It would make sense that the need is great enough there that there would be a plan in place.

Assemblywoman Neal:

I have a final question. When you are talking about the North 5th Street expansion, have you pulled any data on how those businesses are doing? I know there is a Target, a Toys "R" Us, and I think a Home Depot over there. They were over there for a while when you were expanding, and I know those businesses and the houses over there were hard hit. Do you know how well they are doing? Have they been able to maintain themselves?

Tim Hacker:

Remember, that development undertook most of the cost for that interchange on Clark County Route 215 (CC 215) to make sure that it was there so that they had good access, and of course, we are pleased with the continued eastern expansion of CC 215, as it will bring more customers to them. The businesses, the main box stores, as you mentioned, are doing well. We have not heard any concerns as far as potential shutdowns. Even some of the small restaurants and some of those smaller service deliveries seem to be experiencing some uptick in customer base. Of course, even the new McDonald's, for what it is worth, went up, and I do not think I have ever driven by and seen that drive-through without a few cars in it. We are seeing some very good activity up there. Of course, that is a very north component of North 5th Street. We do have some great plans underway over the next few years to see at least two lanes on each side of the street, both north and south, from Cheyenne Avenue all the way up there, which will definitely improve the flow of traffic in advance to the complete build out.

Chairwoman Benitez-Thompson:

Any additional questions from the Committee? I see none. Thank you for your presentation today. We will now move on to our presentation by the City of Henderson. We have with us Senior Director Tracy Bower, City Manager Jacob Snow, and Mayor Andy Hafen. Thank you so much for traveling up to be with us today. We look forward to your presentation.

Tracy Bower, Senior Director, City Manager's Office, City of Henderson:

Thank you very much for the opportunity to be here today. Our city's legislative team are here in the audience, led by Javier Trujillo, Michael Cathcart, and Nicole Garcia. We understand we have a short period of time. We are going to get right into the presentation ([Exhibit F](#)). I will turn it over to Mayor Hafen.

Andy Hafen, Mayor, City of Henderson:

I want to thank you for giving us this opportunity to talk about our city, but more importantly to discuss the issues that are important to the citizens of

Henderson, who are our mutual constituents. [Continued to read from pages 1 through 5 of prepared text ([Exhibit G](#)).]

Jacob L. Snow, City Manager, City of Henderson:

I would like to go on the record by starting out saying that, Madam Chairwoman, if you or any of the members of your Committee do not have the same satisfaction level that the Henderson residents do—and the mayor referenced a 97 percent satisfaction with the quality of life in Henderson—I would like to be the first to welcome you to move to our city, either your residence or your place of business, because we are hard to beat. We take a lot of pride in what we do, and we are especially proud of that satisfaction level, which has risen during the Great Recession. Our population level has risen during the Great Recession. In fact, I estimate that, at the current rate that we are growing, and because of some very important catalytic development opportunities that are coming forward in Henderson, that we will be in excess of 300,000 residents probably in the next five or six years. We are still dealing with the challenges of growth, despite some significant economic challenges to our budget, as you can see in the colorful graph that you have here [([Exhibit H](#)), also on slide 7 of ([Exhibit F](#))]. This is our property tax revenue that is now down to about the level of property tax that we had back in 2005. We expected to see more encouraging news about property values rising. We have yet to see that. We expect to be flat as we go forward. That is a significant area of concern for us.

As for the consolidated tax, you all know what that means, and we have had some discussions about that [([Exhibit H](#)), also on slide 8 of ([Exhibit F](#))]. That has been down by 20 percent for us, as well. Fortunately, we have seen some of that come back. The City was an active participant in the Legislature's Interim Study on the Allocation of Money Distributed from the Local Government Tax Distribution Account, and we support the compromise agreement that resulted from that process. We have never wavered from our support of that compromise agreement that came from that subcommittee.

I would like to address how the City has addressed the decline in those revenues. I know there are some schoolteachers on the Committee. I would like to represent the bars on this chart as pieces of chalk [([Exhibit H](#)), also on slide 9 of ([Exhibit F](#))]. You can see from the blue pieces of chalk that, over the past five years, our budget has gone down by more than \$140 million. In the meantime, our population has increased to close to 272,000 people, and like I said, we are continuing to grow. We are having to do more with less.

I am not going to go through all the slices of this pie chart [([Exhibit F](#)), slide 10]. If you could just focus on the purple-colored ones, that is the majority of our

budgeted expenditures, which is made up of the police department, fire department, and culture and recreation. Those are the services that our constituents are telling us are the most important to them. We have had to cut most of our budget from the rest of that piece of pie to get down to what now constitutes as a \$140-million reduction in our budget.

How have we done that [([Exhibit F](#)), slide 11]? I want to talk a little bit about what we have done because we are different than, I think, many of the jurisdictions in southern Nevada and the rest of the state, as well. We have enjoyed a very cooperative working relationship with our employee unions. We have the Teamsters Union. We have two separate police unions and a fire department union. Just this past year, we negotiated 2 percent overall reductions to all of those contracts. We also implemented some other savings by eliminating merit raises and cost of living allocations for our nonrepresentative employees. I think it is important to point out for the record that our nonrepresentative employees have taken up to 11 percent pay cuts just for the last few years. By the time we get to the end of this fiscal year, we will be about 300 employees short of what we were just a few years ago. We have also implemented a hiring freeze, and that combined with the 2 percent reductions to all those employee-represented union contracts is saving us about \$15 million a year. It has not been easy to keep up with the growing demand for services, but we have dramatically changed the way that we have done business at City Hall. We will continue to do so as we go forward.

We have very low full-time employee numbers per 1,000 residents, as you can see in that chart [([Exhibit F](#)), slide 12]. While we have made great strides to manage our finances, we are well aware that the financial challenges that we face ahead of us are just the tip of the iceberg [([Exhibit F](#)), slide 13]. We are facing a future increase in the Public Employee Retirement System (PERS) rate, new federal mandates in health care, and the Teamsters health and welfare trust, which has significant financial challenges associated with it. We have delayed a tremendous amount of capital improvements. At some point, we are going to need to catch up with that. We have considerable challenges ahead of us, financially, but we have made the changes. We will continue to make the changes necessary to face those challenges.

Last night, one of the members of our staff sent an online report to us from <247wallst.com>. This evaluates the 100 best- and 100 worst-financially managed cities in the country. The City of Henderson is on the best-managed list, and we are at the top of the list for all the cities in the state of Nevada. Now, things could be much better for us, financially, but our financial outlook, our AAA bond rating is stable. We plan on enhancing that as we go forward.

With that, Madam Chairwoman, we appreciate the time in front of this Committee, and we are available for questions.

Assemblywoman Bustamante Adams:

Obviously, all the cities have been affected by the financial crisis, but somehow the City of Henderson has risen above that. Maybe not financially; I know that there are things that are still very tight. What is it that makes it work for you? Is it humility among your leadership team to work with the other entities? What is it? I am very impressed with how you have been able to get the 2 percent reduction and still be the best-managed city in the state. How does that work for you?

Jacob Snow:

I have only been the City Manager for ten months. With what I have seen in the ten months that I have been there, I wish I could take credit for all of the good things that the City of Henderson has done, but it has been a collaborative partnership between the Mayor, the council, the management staff, and the union staff. They have created a type of culture there where we all feel like we are in this together. We really pride ourselves in trying to create the type of city where our residents can feel like it is the perfect place for them to be, and the city employees have bought into that ethos—that there is an emotional attachment to the city and that we are trying to get through this together. It has been all part of the culture that we have tried to develop. I also think that it has been good financial management. When the Great Recession first began, we created a five-year model, looking towards the future, where we took all of the budget resources that we had, and we estimated them for five years out so that we could plan ahead appropriately. We did that right when things were starting to turn bad. That has helped us to prepare, and that has helped us to educate everyone. We are very transparent about what we do, almost to a detriment. We do not have anything to hide. It is pretty obvious what is happening. We have just worked together to get through it the best that we can.

Assemblyman Stewart:

I want to go on the record as being one of the 97 percent that approves of what is going on in Henderson. Can you give us an update on the Henderson Space and Science Center, the Cowabunga Bay water park, and better access to the Sloan Canyon National Conservation Area?

Jacob Snow:

The water park is under construction. I do not know the estimated completion date, but Mayor Hafen was there for the ribbon cutting.

Andy Hafen:

They want to be open by Memorial Day weekend. I just had a briefing with them yesterday. They are on track. Actually, they are a little bit ahead of schedule.

Jacob Snow:

To the question on better access to Sloan Canyon: a new trailhead has just been completed, connecting both the west side and the east side of Henderson to Sloan Canyon. It is a dirt trail. I do not recommend that you ride your mountain bike out there, Assemblyman Stewart, but it provides for some great walking. I do not know if you are looking for a different type of access than that, but that is the update I have for you on that. What was the other part of your question?

Assemblyman Stewart:

It was on the Space and Science Center.

Jacob Snow:

We recently met with the vice chair of the Henderson Space and Science Center, Larry Carroll from the Poggemeyer Design Group, and the Center's board members have just hired a fundraiser, Jeanne Hamrick, who is going out and soliciting funds for that facility. We met with her a few weeks ago. She is a very impressive and well-accomplished lady, and I think she is going to do great things for that group in helping them to focus and to get moving in the right direction in terms of raising funds for that facility to go forward.

Assemblyman Stewart:

Thank you, Mr. Snow. I must say that your presentation skills have improved dramatically since your high school days.

Jacob Snow:

My presentation skills could only go up from where they were back in Boulder City High School.

Assemblyman Healey:

I called Henderson home for 13 years until about a year ago, and I enjoyed my time with you. Is there any progress or continued conversation in regards to the possibility of bringing a movie studio to Henderson? What is going to be the financial impact or economic impact on Henderson with Zappos leaving?

Andy Hafen:

It has been years since we have had any discussions with any kind of movie studio coming to the city of Henderson. With the Zappos situation, the way I like to look at that is that it will not have that big of an effect on Henderson's economy. We are just happy that it still has a good economic impact on southern Nevada.

Assemblyman Munford:

I just wanted to ask the Mayor about the status of the stadium. I have seen a lot of comments and information in the media in relation to that stadium. Where is the stadium? Is it going forward, or is it dead? What is the status of that?

Andy Hafen:

To frame the argument—and it is in litigation, so we have to be very careful with some of the things that we say—we entered into a development agreement for an arena on about 485 acres of BLM land. The agreement was that we nominate the land, the developer builds an arena, and everybody is happy. In this case, the developer was unable to secure a franchisee. He says that the arena will not work, and therefore, we feel that the development agreement has been broken and that we will go our separate ways. He wants to have his cake and eat it, too, so to speak. He has terminated the development agreement, but he still wants the land. We will be in court fighting that. My personal belief is that 485 acres just south of the M Resort is the best location in all of southern Nevada to have that type of facility. As you know, there are several proposals in the southern Nevada area for a stadium. That is about all I can say at this time.

Assemblywoman Woodbury:

As a Henderson resident, I am also very proud and a happy citizen. As an educator, I am especially proud of our school system and the achievement we are seeing there. I think a lot of that is due to the type of community that we have. Mr. Snow, you mentioned the hiring freeze. I was wondering if that includes the public safety areas of police and fire. Do you feel we are staffed where we need to be? What do you see the future holding in that area?

Jacob Snow:

With the question about the hiring freeze, by the end of this fiscal year, I think we will be down by about 300 employees. We have filled some of those vacancies left by employees who have retired or moved on from the city. All of those vacancies have been from within, and they have only been for critical positions that were involved with the police, the fire department, or life safety. We are down now in our police department by about 60 officers from where we

were six or seven years ago. That is because the sources of funds that we have to fund the police come from our general fund—a combination of property and consolidated tax revenues, essentially. There was the first quarter-cent for the police that passed a number of years ago and was approved by the Legislature. That source of funding, that sales tax funding, is down. That is the reason why our numbers in the police department are down. Our concern is that we used to have most of those officers assigned on specialty teams that were focused on crime prevention, and just so that we could keep patrol on the street, we have had to take away personnel resources from those specialty teams. I am concerned, going forward, that we are not going to have the resources that we need to police appropriately to the levels that we previously had in the city. Excellent question.

Assemblywoman Neal:

Why did you go forward with the development agreement for an arena? We had vetted the arena bill in our Committee last session, and at that time, the developer wanted his cake and he wanted to eat it, too. We called him out on that in Committee because he was asking for 30 years of our tax money. I was just curious as to why you even thought this was a good idea for you.

Andy Hafen:

There is no doubt that the idea of a stadium and arena in southern Nevada is a good idea. It is a great economic development tool, also. When the developer came to us, there were two things that I insisted on: (1) we wanted to make sure that there were no tax dollars from the residents of Henderson into this project, and (2) he could not flip the land and make a huge profit on that land. We have proven the tax item, and we will continue in that vein. There will be no tax dollars from the residents in that project. We did come up with some taxing ideas. The tourist-oriented district, the tax increment financing, if you will, seemed a very good way to finance this stadium. I will just go back to my previous remarks, too. It is a good location. It is raw and vacant land. It has minimal impact on residents and easy access for the whole Valley.

Assemblyman Elliot Anderson:

I just wanted to welcome you to Carson City. It has been a pleasure working with you outside of legislative business. I wanted to congratulate you on running a fine city, sir.

Chairwoman Benitez-Thompson:

Thank you so much for traveling up here today, Mayor Hafen. Thank you for all your hard work on the presentation. I appreciate it.

I will now welcome our folks from Nye County. We have with us Assistant County Manager Joni Eastley.

Joni Eastley, Assistant County Manager, Nye County:

It is a pleasure to be here this morning. We really welcome the opportunity.

Nye County is the largest of Nevada's 17 counties. We are the third largest, geographically speaking, in the continental United States, behind San Bernardino County in California and Coconino County in Arizona. With a land area of 18,000 square miles [([Exhibit I](#)), slide 2], Nye County is larger than the combined total area of Massachusetts, Rhode Island, New Jersey, and Delaware. Of this exceedingly vast land area, 98 percent of it is either controlled, owned, or managed by the federal government. That leaves only 2 percent in private hands or the hands of the folks from whom we derive a portion of our tax revenue.

Nye County was established in 1864 by an act of the Third Legislative Session of the Territory of Nevada, and we were actually carved out of Esmeralda County. Considering how big Nye County is, Esmeralda County must have been vast. Nye County was named after James Nye, who served as the first Governor of the Nevada Territory and later became a U.S. Senator from the state. Our first county seat was in Lone in 1864, followed by Belmont in 1867, and finally by Tonopah in 1905. That is where the county seat is today.

The Nevada Test Site, now known as the Nevada National Security Site, and the proposed Yucca Mountain Nuclear Waste Repository are both located in the southwestern portion of Nye County. The county also features several environmentally sensitive areas, including: the Ash Meadows National Wildlife Refuge, the White River Valley, several Great Basin sky islands or mountain tops, and also a portion of Death Valley National Park.

There are no incorporated cities in Nye County. The seat of government is in Tonopah, and that is 160 miles from Pahrump, where about 85 percent of the county's population resides.

In our approved budget for fiscal year 2013 we have 379 approved budgeted positions [([Exhibit I](#)), slide 2]. That is 379 employees who take care of 18,000 square miles and ten communities. Our largest communities are Tonopah, Pahrump, and Round Mountain. Additionally, we have the smaller communities of Beatty, Gabbs, Lone, Belmont, Manhattan, Amargosa, and then way up by the White Pine County line, Carrant Creek and Sunnyside. We also have two reservations: Duckwater and Yomba.

Our Board of County Commissioners Chairman this year is Andrew "Butch" Borasky [([Exhibit I](#)), slide 3]. He was elected in 2004. His district is in Pahrump. Lorinda Wichman, who could not be here this morning, was elected in 2008 in District 1, covering 18,000 square miles. It is the largest commissioned district in the United States. Lorinda's district is one large precinct in Pahrump and all of the rest of Nye County. Frank Carbone, Donna Cox, and Dan Schinhofen round out our board. You can read the years there that they were elected [([Exhibit I](#)), slide 3]. Mr. Carbone and Ms. Cox were newly elected in November 2012, and all four commissioners have districts that are completely within the town of Pahrump.

I want to give you some perspective on the distances in Nye County [([Exhibit I](#)), slide 4]. As I told you, the county seat is in Tonopah. Pahrump is 170 miles away from Tonopah, and Duckwater—or the Sunnyside and Currant Creek area—is 170 miles in the opposite direction. It takes about five and a half hours to drive from one end of Nye County to the other. To get to Gabbs—one of our smaller communities—from Tonopah, you have to travel out of Nye County, through Esmeralda County, through Mineral County, and then back into Nye County. I do want to stress that, although the county seat is in Tonopah, any service that a taxpayer or a resident can receive in the county seat, they can also receive at satellite offices in Pahrump. Essentially, we are trying to maintain two centers of government with the revenues that we have.

You can see the sources of revenue for fiscal year 2013 and what we are carrying out county functions with [([Exhibit I](#)), slide 5]. I understand that, on Friday, the preliminary revenue figures will be coming out for the year for the counties. We will be very anxious to see those.

This chart shows our expenses by function, from the general fund only [([Exhibit I](#)), slide 6]. You can see that the bulk of our budget is 41 percent consumed by public safety, followed by general government and judicial.

We have some cautious optimism about our fiscal outlook [([Exhibit I](#)), slide 7]. There are some things that are happening in Nye County that give us a sense of hope. The Spring Mountain Raceway expansion in Pahrump is taking place on 126 acres that were a direct sale from the BLM. It is public land managed by the BLM. That will provide 400 new jobs. If I may address Assemblyman Oscarson, I believe that this expansion is valued in excess of \$100 million. Is that correct?

Assemblyman Oscarson:
Very close.

Joni Eastley:

Very close to that, thank you. As you know the, Solar Reserve project, or the Crescent Dunes project, broke ground in August 2011 right outside of Tonopah [([Exhibit I](#)), slide 7]. Unfortunately, it is outside the taxing district of Tonopah. That is a 110-megawatt solar plant. It is a power tower, or as the local residents like to call it, the Eye of Mordor. That is right outside of Tonopah. Nye County will receive some tax benefit from that. They did apply for the tax abatements and were granted those. We are seeing a bump in our occupancy rates in the hotels and in the restaurants. After construction, I believe there will be approximately 40 people working full time to man the operation. I just found out last week that there will probably be another 45 to 50 people who will work to just clean the 10,000 mirrors that need to be cleaned twice a month.

There are also several emerging mining operations on the Highway 95 corridor between Tonopah and Beatty [([Exhibit I](#)) slide 7]. Esmeralda County will benefit substantially from that. There is the Cortez Gold Mine operation outside of Beatty. I read on the Internet that they signed an agreement recently with Beatty General Improvement District to provide water for their operation. Metallic Goldfield Incorporated and Allied Nevada Gold Corporation are both located in Esmeralda County on the Highway 95 corridor. I worked in the mining industry for about 14 years. I know that gold is where you find it, and you get what you get. In this case, where they found the gold was running underneath the highway. There are plans to move Highway 95 so that both operations can get at that gold deposit. I told you that both of those operations—Allied Nevada and Metallic Goldfield—are in Esmeralda County. We believe the greatest impact will be felt in Tonopah. There are not adequate housing opportunities in Tonopah to support the workers that we know are going to be coming in for the Solar Reserve project. We definitely have some challenges in that regard.

When I was a county commissioner, I termed out at the end of 2012. I used to always wish that we could have one year of uncontrolled growth in Tonopah. We got that. I just did not expect it to be in my last year in office and for it to be this uncontrolled. We definitely have some challenges.

There are leases at the Tonopah Airport [([Exhibit I](#)), slide 7]. That is one of the County's Brownfields Program projects. The Tonopah Airport is a formerly utilized defense site. It was a World War II airbase. There are some small renewable energy projects that will be locating there. There is one lease agreement and three options to lease on smaller properties. There is also a lease agreement with a reclamation mining company. They have already broken ground and are constructing their buildings. What they will do is they will use the Tonopah Airport as their base of operations, and they will go to abandoned

mine sites and do reclamation and cleanup work. Additionally, we were notified yesterday that the same company wants to lease from Nye County the Amargosa Valley Science and Technology Park, which is right near Lathrop Wells. They would like to sign a 99-year lease on that property, and we are going to work out an agreement with them for them to put in the water pipeline that is needed in exchange for the lease. In other words, they will put in the infrastructure for the water, and we will subtract from the value water improvements anything that they would have paid on a monthly basis for leases.

I want to say one more thing about our fiscal outlook. Nye County's unemployment is very high overall. I think it is around 14 percent. It is in the top ten worst in the nation. Nye County is really an interesting county because although the unemployment rate is about 14 percent, that rate is predominantly from Pahrump, which is very close to Clark County. In Tonopah, the unemployment rate is only about 5 percent. It fluctuates between 5 and 7 percent. Obviously, Pahrump has been our hardest-hit community with the downturn in the economy, and we are very concerned about that.

We have some immediate fiscal impacts [([Exhibit I](#)), slide 8]. Sales tax has been down for 36 months straight. This is a 28 percent reduction from our 2007 levels. Although consolidated tax is rebounding somewhat, it is still 16 percent lower than what it was in 2007. State unfunded mandates could have over a \$2-million impact to the General Fund. For a county in which only 2 percent of the land is in private hands, that is a huge hit for us. Assessed valuation of real property has been reduced 26 percent from fiscal year 2011 levels. I probably should have expanded on the next point a bit, but we lose a lot of sales tax to Clark County. This is not a complaint but just an observation. I shop in Clark County myself. You cannot buy everything in Tonopah. However, we do lose sales tax to Clark County to the south, and for those who live in the north, we lost sales tax to Washoe County for local services and goods that just are not offered in Nye County. The final point is the Indigent Accident Fund (IAF) sweep, and I know you are all well aware of that.

Our recent budget strategies have been to optimize technology and automation of software and hardware to improve productivity [([Exhibit I](#)), slide 9]. Obviously, that is even more important with, effectively, two centers of government in an 18,000-square-mile county. We have had to do everything that we can to make the county smaller, and the best way to make it smaller is in terms of enhancing and taking advantage of as much technology and automation as we can. We have implemented a furlough program at all levels of county government, and we have delayed merit increases. We are exceedingly grateful to our bargaining units to have agreed with us on the

furloughs and delaying their merit increases. We have upgraded our website to make more information available to the public online so that those members of the public can get the information they need on our website, as opposed to coming into the office or calling on the telephone. Finally, we have done what many of our other sister counties have done in Nevada, and that is to reduce spending in all areas.

One other thing that I want to add: we were really pleased to find out last week that Congressman Horsford is opening an office in Tonopah, and he is staffing it with a full-time employee. We are really pleased to play host to him, and the town has agreed to provide office space for him.

That concludes my presentation, and I am available for questions.

Assemblyman Ellison:

Ms. Eastley, congratulations on your new position.

Joni Eastley:

I got recycled!

Assemblyman Ellison:

You were the past president of the Nevada Association of Counties (NACO), and you did a very good job representing the people of the state of Nevada when you were there.

Joni Eastley:

It was my pleasure.

Assemblyman Ellison:

What would happen if you lost payment in lieu of taxes (PILT)? How would that impact you?

Joni Eastley:

Our PILT for fiscal year 2013 was \$2.8 million. If we were to lose that funding, we would absolutely have to write people off and potentially look at eliminating services that we are not required to provide. For Nye County, the services that we are not required to provide would be Animal Control, the Senior Nutrition Program, and the Office of Veterans Services. Our Office of Veterans Services actually provides services for Nye and our sister county Esmeralda.

Assemblyman Elliot Anderson:

You mentioned that you were going to move a highway to get at some gold. Is that going to affect your budget?

Joni Eastley:

We are not going to move the highway. The mining companies are going to pay to move the highway.

Assemblyman Elliot Anderson:

Oh, I see. That sounds great.

Joni Eastley:

If we had to pay to move the highway, the gold would stay where it is.

Assemblyman Oscarson:

It is hard for me not to call you Commissioner Eastley. I appreciate your presentation. It is nice to hear. We are working very hard to get to that 97 percent that the last presenters had. With the help of the town and the county, we are working very diligently to do that.

I wondered if you could comment very briefly about the Nye County Comprehensive Economic Development Strategy (CEDS) that was done in June of 2012. I do not want you to go over it page by page, but what was done for Nye County? How was it accomplished, and what was the public's input on it? How you are utilizing it in government now?

Joni Eastley:

Was that not done for the town of Pahrump?

Assemblyman Oscarson:

It was, but it included a significant number of things. I know that, at one point in time, the county was looking at it.

Joni Eastley:

Unfortunately, I did not get a copy of that. I am sorry I cannot answer that question.

Assemblyman Oscarson:

Well, I would be happy to forward you a copy.

Joni Eastley:

I would love to have one.

Assemblyman Oscarson:

I appreciate all of the work you have done, Ms. Eastley, with your expertise on the Commission for 12 years and the things that you are going to accomplish for us working together with all our partners. It is nice when we can work with Esmeralda County. We have a new jail and all the new community things that are going on. We have listened to a lot of presentations, and the rural areas are really struggling right now. The more that we work together for the betterment of their citizens, the better it is going to be for us.

Joni Eastley:

I could not agree with you more. My observation and my firm belief is that the opportunities right now are in the rural areas. We are prepared to do anything we can to help the economy of the state and our sister counties. Many times that is difficult because of the obstacles that we encounter. For example, permitting through the BLM to get mining operations open. We are prepared to lessen or remove as many obstacles as we can so that the rural communities can step up and help the state out of its economic doldrums.

Assemblywoman Neal:

I wanted to go back to the statement you made about Pahrump and the high unemployment. You were saying that Pahrump is in close proximity to Clark County. Why would you mention that? What is the relationship? There seemed to be an implied thought pattern. Did they previously work in Clark County, and now they no longer have a job?

Joni Eastley:

That is a big part of it. When Pahrump was experiencing its boom, there was some really affordable housing there. What we found was that a lot of folks were living in Pahrump and then driving over the hill to work in Las Vegas.

Assemblywoman Neal:

Were they construction jobs, or were they something else?

Joni Eastley:

In Las Vegas? Probably a combination of many things.

Assemblywoman Neal:

You were talking about consolidated tax and where you were in 2007 in terms of the change in levels. In 2007, we were still in our economic boom and coming off of it. We were in this false inflated economy. I am wondering how accurate those levels are. We were at a point that we were never going to return to in 2007. That inflation was a myth to begin with, and we should have been more structured in terms of letting our housing prices jump through the

roof and having some kind of regulatory environment. Help me understand why you use that as your baseline.

Joni Eastley:

That is a great question. That is the baseline that has been used for several years by financial staff and the Board of Examiners. I hesitate saying that is what we used because that is what we have always used, but 2007 has been our benchmark. You are probably right, and that is a great point.

Assemblywoman Bustamante Adams:

On my behalf, I also would like to say thank you for your leadership, not only in NACO but for women in government in general. My question is in regards to the brownfields. Could you expand on that and help us to understand how that is an asset for you to help your county?

Esmeralda County came in yesterday and said that they can grow a lot of stuff in their county. Maybe not the right stuff, but they can grow a lot of stuff. Is that the same for Nye? Is agriculture a vital part of the county's overall picture?

Joni Eastley:

The Brownfields Program has been very important to us. We have been big players with brownfields, and the Environmental Protection Agency (EPA) recognizes us as one of their leaders in that program in Nevada. We have been using brownfields funding. We have actually applied for many grants through the Brownfields Program, either State brownfields funding or the federal government, and received millions of dollars in return, not only to assess and remediate contaminated properties countywide, but also to develop training programs.

Recently, we received a grant for \$1 million from the EPA for a brownfields project that is the first of its kind in the United States. What we wanted to do was form a coalition of five counties to address opportunities through brownfields, not only in the areas of economic development, but also to identify potential transmission corridors for renewable energy. Our five-county coalition consists of Nye County, Esmeralda County, White Pine County, Lincoln County, and Inyo County in California. What we did was reach across the California state line and bring in Inyo County with the thought in mind of being able to identify, through the contaminated lands process, transmission corridors for the export of renewable energy. We are working on that coalition right now. It is the Rural Desert Southwest Brownfields Coalition.

Assemblywoman Bustamante Adams:

For the members who do not understand, as a part of the Brownfields Program, you take a contaminated area and are given the money to help clean it up, reclaim it, or recycle it.

Joni Eastley:

Yes, although it is not necessarily land that is contaminated. It is land that people think might be contaminated or is widely believed to be contaminated. That is part of the process, identifying those lands that might be contaminated, doing a Phase I site assessment to determine what, if any, is the level of contamination on the property, and then, ultimately, remediating the environmental problems and redeveloping the land. We did that very successfully. We have done it in Pahrump, which is where our new county administrative complex is located. We did it very successfully in Tonopah. There was an abandoned motel on Main Street that vagrants had broken into and were living in. The swimming pool had a little bit of water at the bottom, a car engine, and a lot of oil. We were able to gain a grant to identify the hazards. We had another grant for the town of Tonopah to do the cleanup. The town of Tonopah applied for a community development block grant. They were awarded \$50,000 to purchase the property out of an estate, and then Nye County, additionally, contributed some payment-equal-to-taxes funding. Nye County is the situs county for Yucca Mountain. There are payments that are required to be made to us as part of the Nuclear Waste Policy Act. We used some of that federal money from the Department of Energy (DOE) to help the town of Tonopah with cleaning up the property and then constructed a brand new emergency services center and fire station. Nye County shares the space with the town of Tonopah. The property has been completely cleaned and remediated. There is a brand new building there on the back part of the property. In the front part of the property is a park that the community enjoys and where we host a farmers' market every year.

Chairwoman Benitez-Thompson:

Thank you very much for your presentation, Assistant County Manager Joni Eastley. I appreciate your coming out here and taking the time to be with us today.

Joni Eastley:

Nye County appreciates all of you and your work. Thank you.

Chairwoman Benitez-Thompson:

Now we will open up the hearing on Assembly Bill 78.

Assembly Bill 78: Revises provisions governing the deposit of certain public money in insured institutions. (BDR 31-664)

I will welcome up Assemblyman Pat Hickey and Bill Uffelman with the Nevada Bankers Association.

Assemblyman Pat Hickey, Washoe County Assembly District No. 25:

Assembly Bill 78 allows for the option of allowing government agencies of all kinds to provide expanded insurance for public funds that are in various deposit accounts for those entities. These revisions to statute will allow government entities to utilize insurance products available to increase the amount of the Federal Deposit Insurance Corporation (FDIC) backing insurance to protect these public monies that are frequently spread out throughout numerous financial institutions without requiring the entities any additional collateral. The mock-up ([Exhibit J](#)) before you needs some additional work, and you will be hearing from the individuals next to me. You will be receiving some friendly amendments to A.B. 78.

With me today to further clarify the intent of the bill, I have to my left Bill Uffelman of the Nevada Bankers Association, and to my right is Reginald Truman, who is with Promontory Interfinancial Network. With your permission, Madam Chairwoman, I would like to let Mr. Uffelman explain more about the bill. Thank you.

Bill Uffelman, representing Nevada Bankers Association:

I do appreciate the opportunity to be here, and I appreciate Assemblyman Hickey sponsoring the bill for us. This is a work in progress. As originally drafted and introduced, it did not encompass what we had intended when we had requested the bill draft request (BDR). The mock-up that you have before you ([Exhibit J](#)) is getting there. It needs some additional fine-tuning.

The program that we are offering up here is a voluntary program [([Exhibit J](#)) and ([Exhibit K](#))], and as was said, it provides additional options for the management of public funds by the trustees, if you will, of those public funds, whether it be the state treasurer, county treasurer, city treasurer, or agencies of counties or cities that have funds on deposit with the various financial institutions in the state, both banks and credit unions. Assemblyman Hickey mentioned FDIC insurance, which of course applies to the banks. The credit unions have both federal insurance, depending on if it is an option for them, and if they are state chartered, they are going to have a private insurance, which Keith Lee represents. His amendment is among the friendly amendments of this. State law requires that monies of the various governmental entities be deposited in

insured institutions and insured accounts. You have all seen the FDIC limits. It used to be \$100,000, then it was \$250,000, and then there was the Temporary Liquidity Guarantee Program, which has since expired. The idea is that the money has to be insured or it has to be backed up by certain collateral.

Nevada Revised Statutes 356.133, if you want to delve into it, has a whole laundry list of various things that a financial institution can use as collateral for public funds. When they use those and pledge them as the collateral for the public funds, it reduces their ability to lend money because the collateral is already accounted for. Through the products that Promontory Interfinancial and other entities offer, it allows for additional insurance to be applied to the various accounts. If I have X amount of money that exceeds my insurance limits, that money is traded off, if you will. You give me a deposit. I give you a deposit. All the deposits are insured, but they are pooled so that instead of just having \$250,000, we have substantially more insurance available. That means that I do not have to pledge assets to insure the funds of the public. In the end, it is all protected.

As we said, we are going to have to make additional refinements to the mock-up you see here ([Exhibit J](#)). Talking with some of the county treasurers, they are concerned that there could be confusion that monies that are on already existing deposits get pulled into this. These accounts are specific accounts. As I said, the custodian of those funds has agreed with the financial institution that offers these services that these new monies in those accounts are available under this program. We are working with the Legislative Counsel Bureau (LCB) to find the right words to make sure that it is clear that this is one account and there are other accounts that are not subject to this. I used to be a bill drafter, and we will certainly work with the people to get the right words in there. We want to make it clear that this is one category of deposits and there are other categories of deposits that are not subject to these programs. As I mentioned, Mr. Lee is going to offer amendments to make sure that the credit unions can use the private insurer that many of them already use. There are references in here ([Exhibit J](#)) to insurance offered by the United States government.

The other piece that is missing, as I mentioned, is that we wanted this to be as broad as possible to allow, in effect, the subentities of the various governmental units to have access to these. Whether it is a fire district or a water district that is public, we want them to have access to these funds. Some of the most active users of it want to use the local community bank or the like to do this, and so we want to make sure that gets added in. How we do that, definitely, is by working with the LCB to make sure that we get that fixed.

Again, it is a voluntary program. It is to increase the options of the public managers of public funds to provide for insured deposits of those public monies, make life good for them, and make it easier to manage some of these things. I would be happy to answer any questions.

Assemblyman Daly:

Mr. Uffelman, I just want to make sure I understood. I am not an expert on banking. I understand that the FDIC raised the insurance levels up to \$250,000. The State requires that if a public agency is putting money into the bank, the money has to be insured. If a public agency is putting money in above that limit, the bank does not have the same option on private money, where they only have to keep so much of that money in reserve so that they can then loan some out. If it is public dollars, it has to be backed up with assets in the bank, which is taking away from the bank's reserve because the government sets it up and I put a deposit in as a private citizen. They may keep 10 percent or 20 percent in reserve, and they loan out the balance. However, with public dollars, you cannot do that. Your proposal is allowing us to set up a series of accounts at the assured level in order to, hopefully, loosen up some money with the bank but also make sure that the public money is fully insured. Am I understanding it correctly?

Bill Uffelman:

Assemblyman Daly, you have got it right. When I started here eight years ago, Promontory Interfinancial came out with a new product called the Certificate of Deposit Account Registry Service (CDARS). Those are reciprocal certificates of deposit. At the time, they were available to private individuals, and then in 2005, they became available to government entities. These were savings certificates, and this was where they started this reciprocal deposit. If you put \$1 million in the bank but I have to provide you \$1 million of protection, either through the pledged asset or insurance, I would lay off \$750,000 of deposits \$250,000 at a time in other institutions, who in turn would give me \$250,000 so that I would always have \$1 million in the bank. This now will extend that opportunity to all kinds of accounts of deposits that a governmental entity would want to have. You either have the protection of the pledged asset, or you have the protection of the insurance program.

Assemblyman Daly:

That type of insurance has been vetted, approved, and allowed by the states in use of business practices. Has it been safeguarded to make sure that it is regulated?

Bill Uffelman:

Mr. Lee represents that insurer, but yes. That insurer for the state-chartered credit unions provide the insurance that is comparable to what a bank has through the FDIC or what a nationally chartered credit union has through the credit union association insurance. Those are deemed equivalent, and to be able to advertise that they are an insured credit union, they have the stamp of approval.

Assemblywoman Neal:

I am going to need you to educate me further. The normal procedure in statute was to pledge securities against public funds that were not FDIC insured. That is what I understand was in existence. Why was the requirement that the collateral be pledged to secure the government deposits imposed by state law?

Now, I went about looking for the 2003 language that created it, but there was no debate and no minutes. It just sped through like light. Then I went to 2007, when Senate Bill No. 511 of the 74th Session came up, and a question was asked about the collateral. At the time, Patrick G. Foley, who was the Chief Deputy Treasurer for the State Treasurer, said that the reason was because, if the bank defaults, then the state assets would be protected. Why are we shifting? What is the rate that is going to be yielded for a regular account that is FDIC insured through the bank versus the rate that it would have received had the security pledged against it? I think it was your statement that said that if we shifted it into the accounts, it was going to yield a better rate. Let me not misquote you. The Nevada Bankers Association was saying that if it was secured, it would be a positive thing because such securities generally carry low yields. Therefore, there is going to be a better return to shift this and to redeposit. Just help me understand what the difference is in the rates and why we are shifting.

Bill Uffelman:

The rates, of course, are variable. I mean, today, if you have watched what the Federal Reserve has done, we are looking at 0 to 0.25 percent federal funds rates. When a bank is invested in U.S. Treasuries, that is the kind of interest that they are getting to help fund the bank, whereas, if I could lend that equivalent money out at 4 or 5 percent, obviously, the bank then is getting additional interest income.

I will speak to banks. Credit unions are going to do the same thing, but it is different insurance. Banks pay for FDIC insurance. It is not free. The treasury does not fund FDIC. The banks fund FDIC. You pay insurance premiums based on how much insured money you have in the bank, and the bank is able to go from the assets to purchasing additional insurance, which is the replacement, if

you will. Yes, the insurance costs money, but at the same time, the money that is freed up is then available for them to lend.

Now, what the yield is to an individual account of a public entity, I cannot tell you. When you talk about interest on a checking account versus interest on a certificate of deposit (CD), whether it is a one-year, a 60-day, or a 90-day CD, those rates will vary. In this environment today, those rates are very low because the interest rate environment is very low. In regards to the pledged asset versus FDIC insurance, the whole idea is that 100 percent of the public funds are backed up either by insurance or by the pledged assets.

Assemblywoman Neal:

To clarify: we are not deleting the pledged assets. When we see an amended version, A.B. 78 is going to say that requirement is not going to be deleted out of *Nevada Revised Statutes* Chapter 356.

Bill Uffelman:

Absolutely. There will be no elimination of that requirement. The requirement was, and still is, either insured by FDIC or pledged assets. I am just increasing the amount of money that I can use FDIC insurance for.

Assemblywoman Neal:

Thank you.

Assemblyman Elliot Anderson:

Bear with me. Banking is well beyond my expertise. I thought all time accounts and demand accounts were already FDIC insured institution by institution, as long as they had insurance. I am trying to understand the difference between FDIC insurance for those accounts and FDIC accounts, specifically, as is talked about in section 1. Can you help me grapple with that?

Bill Uffelman:

With FDIC insurance, prior to 2007, there was a \$100,000 limit per account. If you are married, have a personal account and a joint account, and your wife has a personal account, each of those accounts have insurance on them and would still have insurance on them. Today, there is \$250,000 insurance on them. If you have \$1 million in each of those accounts, and the bank failed, you would lose the difference between the insurance and the amount of money in the bank.

With the CDARS product, if you buy a \$1-million CD, you are able to obtain FDIC insurance on the entire \$1 million. You might get a lower yield because there is a price for that, but the reality is that you still have the safety of FDIC

insurance protecting your \$1 million. This is the same program, if you will, that would be applied to your checking accounts that demand deposit versus a time deposit, which would be your CD. We are, again, extending insurance to a bigger piece. Part of the pie is FDIC insurance. Part of the pie is the pledged asset. By increasing the upfront part, or the insurance part, it allows some other financial institutions to play.

Assemblyman Elliot Anderson:

Thank you. That makes sense. It is just an account that you can insure more money with, basically.

Assemblywoman Pierce:

Why do we want to outsource the duties of an elected official to the private sector? This bill seems to say that, if at any time the amount of county money is not insured, the bank credit union or savings and loan shall arrange for the redeposit of that money in a bank run by the bank manager's cousin in Arkansas. Why do we want to do that?

Bill Uffelman:

First, as I mentioned before, the public official who is responsible for that money has specifically signed on to this kind of account. They have other monies that they perhaps have not placed in this kind of account. Again, what they have signed on for is a reciprocal agreement, which says that this financial institution, because of the size of the institution, is not in a position to cover the money entirely with pledged assets, or maybe they are in a position to cover it entirely, but if they do that, then they cannot bank other people. It is spreading that out. The notion, or the selection of that account was at the option of the public official that they wanted to participate in this kind of program. When Mr. Truman testifies, because he works for the company, he can explain it more fully.

Assemblywoman Pierce:

Yes, but this bill says that the institution can move the money to another institution, a state bank, a national bank, a credit union, or savings and loan. What is the county treasurer doing? Why are they not in charge of this?

Bill Uffelman:

You still have \$1 million on deposit in the institution. What the institution does with the redeposit is share the risk with other institutions so that it has \$1 million of insurance on it instead of \$250,000 of insurance. The county treasurer would say to that institution that he is going to give them \$1 million and it needs to be insured. It needs to be protected. He would ask how Bank A proposes to provide that protection. Bank A would say that they have the

Insured Cash Sweep (ICS) and CDARS, and they would explain how that works. The treasurer would say that they understand that and are okay with that, and then they open this kind of account and sign for that agreement. However, again, all of those deposits are either fully insured or protected by the pledged assets.

Assemblywoman Neal:

There is something else that I am still trying to wrap my mind around. I am not, in any way, a financial whatever. I keep going back to these minutes, and in the discussion, it said in Senate Bill No. 511 of the 74th Session that the bank used to pay for the position to hold these assets for deposit and that the state treasurer used to assess a fee to maintain their position on an annual basis in order to have the state assets and collateral with the bank. Help me understand if that even makes sense. How does that fit into this? Was there some kind of fee transaction associated with having the collateral in the bank? Was there payment exchanged between the treasury and the bank, who would hold it for them for an annual cost?

Bill Uffelman:

The banking transaction with a government entity will vary based, obviously, on the amount of money involved and what the cost of funds are for the bank in yield to the entity. There are bankers here who could probably answer the question better than I can. I do not recall that there is a fee paid, but the reality is that, in this interest rate environment we have today, the numbers are so different than they were back in 2005, 2006, or 2007. The difference in rate is reflected in the yield to the depositor—in this case, the governmental entity—and what the institution can earn off of that money by lending it, if it is in a position to lend. The treasurer's office and some of the bankers here who have handled treasury could speak better to how that actual transaction occurs. The larger banks bid for that business, if you will. However, that is different. It is part of it, but it is different.

Assemblywoman Neal:

Who is benefiting from this action? What is the public benefit? Of course banks want you to deposit money into their bank. If you deposit a large sum, then that is great. You are holding onto it, and then you have the ability to move it around and use it. I understand that. I was just trying to figure out if you were all of a sudden paying for something and now you are not going to because it is FDIC insured, which puts it in a whole other category of what you then pay for the privilege to have.

Bill Uffelman:

I think I understand your question. I guess I am not answering it to your satisfaction. FDIC insurance costs the bank something. The more FDIC-insured funds that the bank has, the more it pays for the insurance. Pledged assets have an opportunity cost for the bank. If you put \$10 million in my bank, I have got to pledge \$10 million in assets. I cannot lend the \$10 million out. It is segregated. I cannot make money by lending it out. If I can use FDIC insurance that costs X percent, but I can lend that same money for a larger interest, then the bank is better. The reality is, this will allow community banks, or smaller banks, to handle more governmental funds.

Assemblyman Daly:

Along the lines of the previous questions on who should direct the deposit, is one of the amendments proposing that it would be at the direction rather than the bank just being able to do it whenever they want? Was that a friendly amendment, as well?

Bill Uffelman:

We have discussed the mock-up. The direction that you give the bank is that you want to put this money in a specific kind of account. The institution participates in the pool. You direct them to put it in that pool, and all these different banks are in the insured pool. Again, Mr. Truman can speak to that because of the operation of the pool.

Assemblyman Daly:

On the other questions that were coming up, I am trying to figure out the justifications. Rudimentarily, I understand how banking works. You have so many deposits that come in, and that about equals out so that you can loan some of the money because only so much is coming in and going out. The federal government says that you have to hold so much in reserve just in case. Then you try to loan out the balance.

If you are dealing with a government agency that says they want to give you \$10 million and you only have available funds of \$8 million or \$18 million, that will reduce the amount that you can loan out to other people. Is not some of this going to smaller communities with smaller banks, allowing local banking and various things? In theory, we hope that you will loan more money out. If I understand it, the banks make their money after you pay insurance on deposits and all of that stuff. You pay interest, but then you loan the money out to earn the interest back. You only make the margin in between. This will allow for smaller local banks to be able to work with smaller local governments and, hopefully, be able to free dollars up to be lent out to the community for a variety of issues and things that need to be done. We have been hearing about

money not being freed up, et cetera. That is the picture I am trying to draw and make sure that I understand. Also, the direction of the money by the government agencies seems to be something that needs to be cleared up, from what I can see.

Bill Uffelman:

I should have had you explain the bill. You have done an excellent job with that part. Yes, that is the intent: that the smaller institutions are in a position to deal with some of the smaller governmental entities in their local community.

Assemblyman Oscarson:

Assemblyman Daly stole my thunder. I was particularly pleased to see that Nevada banks and institutions were included in this bill because I think that is what we have to get back to; supporting the Nevada businesses in this community. This bill does that, and I appreciate the fact that is in the legislation.

Chairwoman Benitez-Thompson:

Mr. Uffelman, I believe that you mentioned that you wanted Mr. Truman to get some remarks on the record. Is that right?

Bill Uffelman:

Please, Madam Chairwoman.

Reginald L. Truman, Western Regional Director, Promontory Interfinancial Network, LLC:

I am here today to support A.B. 78, as amended. [Continued reading from prepared text ([Exhibit L](#)).] I thank you for the opportunity to be here this morning.

Assemblywoman Neal:

Consider this my education. I understand we are freeing up the money so we can move it around and do activities where before we could not. Why would we not, as a state, just create our own bank and play with our own money?

Reginald Truman:

The State is certainly free to do that. The service that we provide simply allows for your public entities to have access to the highest levels of FDIC insurance without having to have the collateral requirements met. It is simply another option. It also, then, allows the community banks that we work with throughout the country to be able to lend in the local community. The funds literally remain in the local community, managed by your local banks, as

opposed to being invested in far-off places around the world. It is local money to serve local people.

The benefit is, I think, pretty clear in that the financial institution does not have to come up with the collateral. Collateral is utilized to secure public money, and it becomes expensive because that same collateral can be used for higher yielding instruments for the bank to have a greater return. This provides the bank with another option to execute an agreement with a public entity to provide the public entity with a service. There are no transaction fees by the state to access this service. The transaction fees are paid by the bank.

Assemblywoman Neal:

I get that. However, we would then be subject to the default rates, right? For example, if your customer Mr. Jones comes in and says he is going to do this but he does not pay you back, our money is now in that fray instead of being segregated.

Reginald Truman:

I am not sure what you mean by the default rate.

Assemblywoman Neal:

I mean if someone comes in, they get a loan, but they do not pay you back.

Reginald Truman:

We are not involved in lending, per se. What we do is provide a service bureau-like relationship for the placement of funds on behalf of financial institutions that are FDIC insured. The transaction that you are referring to is between the banker and the customer. If the customer defaults on a loan, that is between them. For the resolution of that dispute, there are lots of different avenues for the bank to be able to take in order to do that.

Chairwoman Benitez-Thompson:

In your testimony, you mentioned 33 other states that allow for something like this. Within their statutes, do they have any type of language that talks about a notification or authorization process when the redeposits occur?

Reginald Truman:

I am not familiar with each individual state, but I can address how our process functions. Each time a public entity would seek out the service, they would execute what is called a deposit placement agreement, and they have the option to identify, in that agreement, banks that they do not wish to work with. Funds move, in the reciprocal, on a daily basis, and they are only moving between banks that are financially stable because that is the only way a bank can be a

member of the network to transact business. Now, there are some network member banks that are not able to utilize our services and would not be able to participate in a reciprocal transaction, but in each action that is taken on behalf of a public entity through a bank, they must execute an agreement that gives the bank the ability to source out the number of banks that they need in order to arrive at the insurance levels required for the amount of the deposit. The depositor has the option to decline to have their funds participate in certain banks each time a transaction is done. They always have full control over the placement of the funds. We are just the instrument to get it there.

Chairwoman Benitez-Thompson:

When they get their balance statement every month, when those funds are redeposited, is there a notification within that, or is there some way for the public entity to know when those transactions are occurring?

Reginald Truman:

Yes. For the reciprocal transaction, or what is called Insured Cash Sweep (ICS), it is daily. For CDARS, which is a time deposit, there is a statement available on a monthly basis. On the sweep product, the statement is also available on a monthly basis, and it does identify where their funds are placed and what interest rates were agreed upon between the depositor and the bank, and those statements are made available through us, through the Bank of New York, I should say, then through us to the depositor bank.

Assemblyman Ellison:

When I first saw A.B. 78, I got scared when Assemblyman Hickey brought it in. With the presentation of the bill, it looks to me like it gives protection to small institutions. It also gives the midsized banks the leverage that they are going to need on a day-to-day basis to work with the funding of the cities, counties, and states. Is that correct?

Reginald Truman:

The essence of this bill is to level the playing field for all community banks in the state of Nevada to be able to serve the public entities with access to the highest levels of FDIC insurance. Right now, our limits are in the multi-million dollars. A number of banks in Nevada over the years have already been utilizing CDARS for the purposes of placement of public deposits. This bill broadens the language to allow for transaction accounts, for demand accounts, and for money market savings accounts to be accessed by those same banks. It simply levels the playing field so that everyone can participate equally. Oftentimes, larger banks have large access to collateral so that they can work with public entities in a way that smaller banks cannot. With the advent of CDARS, ICS savings, and ICS demand, it has simply leveled the playing field.

Nationally, our public deposits are our second largest customer segment because of these issues. It just levels the playing field. Everybody has an opportunity to work with their public government, and the funds remain local. They remain in the state. Oftentimes, when funds are deposited in larger banks, no one knows where they go.

Assemblyman Ellison:

You mentioned the reciprocal agreement that you do. How often is that renewed? Does it get renewed? How does that work?

Reginald Truman:

It is called the deposit placement agreement. It is set up initially. If the bank or the depositor no longer wishes to participate, upon maturity they can withdraw. It is the same thing with the sweep account—meaning the demand account—and the money market savings account. There is no limit to it. They can participate as long as they wish.

Chairwoman Benitez-Thompson:

I have a question before we move into the support testimony. The theme for the legislative record is that we are looking to level the playing field, especially for smaller banks, local banks, and community banks. Within the course of the amendments of the language of A.B. 78, does the language then just make sure that we are targeting the scope to those banks, or right now, as written, is it inclusive of any and all financial institutions?

Bill Uffelman:

The legislation is directed at those financial institutions that elect to participate in the programs, such as CDARS, ICS, and the like. On a national basis, the larger banks have not participated in those programs. Mr. Truman can speak to that and discuss their rates. They are certainly free to join, but the reality is that the products themselves are aimed at the small to mid-sized bank, as opposed to the much larger national banks. Again, it is the product. We are not saying you have to do it at X community bank. It is that, if you are willing to do this, some banks do not offer the service. They will probably ask you to pledge collateral.

Assemblyman Hickey:

I just wanted to emphasize the other side of this. I believe this gives local government entities and their public officers the opportunity to involve their investments with local and statewide community banks and credit unions. I think we should not look at this merely as a bank bill but as another tool, or option, for local government entities to possibly more easily deposit their monies with local institutions.

Assemblyman Elliot Anderson:

I like the state of Nevada provisions and the county provisions, but do we need to put something in there to say “chartered in the state of Nevada” or something to that effect to ensure that it does go to the local banks? Do we have to do something like that to tighten that up?

Bill Uffelman:

I represent all the banks that do business in the state of Nevada. It will be self-selecting. If a community bank wishes to pursue deposits from community government, local government, or local government entities, this is a mechanism they can choose to do that. Otherwise, they have to pledge assets, as we said. The banks will self-select whether they want to do this. As I mentioned before, Nevada State Bank has self-selected. It wants to do it. Heritage Bank will make its decision. Bank of Nevada will make its decision.

Chairwoman Benitez-Thompson:

[Clarified what constitutes support and opposition of a bill.] At this time, let us have testimony of anyone who has an amendment that is supported by the sponsor.

Keith L. Lee, representing American Share Insurance Company:

I represent the American Share Insurance Company, which is a mutual insurance company that is regulated in the state of Nevada by the Financial Institutions Division. American Share Insurance is a private insurer of the deposits of state-chartered credit unions. Backing up for a moment, there are two types of credit unions: those that are federally chartered and those that are state chartered. Under law, federally chartered credit unions are required to have federal insurance provided by the National Credit Union Administration (NCUA). In state-chartered institutions in Nevada, for approximately 30 years now, the state-chartered credit union has the option of selecting private insurance from a client, such as mine, to insure its deposits, or it can go to the NCUA and use the federally-insured deposit program.

What we are here offering, as Assemblyman Hickey and Mr. Uffelman had indicated—I talked with them, and they have agreed to the amendments—is an amendment ([Exhibit M](#)) that is going to be more inclusive to make sure that those state-chartered credit unions that have chosen to be privately insured may also participate, or may be considered as a participant, in this program. Again, as has been explained to you, this is a voluntary program from both the institution standpoint and from the standpoint of whether the counties, municipalities, and others affected wish to participate. What I am offering here are the amendments that I have posted on NELIS yesterday, and after having

read the mock-up this morning, I suggest to you that there will be some additional amendments that need to be made should the Committee agree with the amendments I am proposing here.

As you can see, I am suggesting that we amend subsection 2 of section 1 of A.B. 78. I am talking about the bill draft itself, and not the mock-up ([Exhibit J](#)). However, I think they track when I read it quickly. I am suggesting we amend it by inserting the term "or pursuant to NRS 678.750." *Nevada Revised Statutes* 678.750 is the provision in the credit union law that allows a state-chartered credit union to select as its insurer a private insurance company that has been approved by the Commissioner, and that is the Commissioner of Financial Institutions. I am suggesting that same change in line 20 of paragraph (a) of subsection 2 of section 1 of A.B. 78 after the word "States," and likewise, the same amendment in line 26 of paragraph (b) of subsection 2 of section 1 of A.B. 78 after the word "States."

I hope I have not confused everybody too much. With that, Madam Chairwoman, I will try to answer any questions you or members of the Committee may have.

Chairwoman Benitez-Thompson:

Questions for Mr. Lee from the Committee? [There were none.]

Assemblyman Hickey:

I want to thank the Committee for the indulgence, and we are sorry that the BDR and the mock-up are not everything that they could have been and should have been. When we get into work committee on this, we will hope to clear everything with you and the members before that happens.

Chairwoman Benitez-Thompson:

Anyone else wishing to testify in support or who has amendments to discuss that are supported by the bill sponsor?

Alan B. Rabkin, Senior Vice President, General Counsel, Heritage Bank of Nevada:

We are here to lend our support to this bill and possibly enlighten the Committee about some of the burdens that the collateral requirement imposes on smaller banks like ours, those burdens being more than just superficial. When banks have to segregate and restrict collateral, it has to usually be done through a separate entity, a collateral agent. It also requires a lot of accounting work, both by the bank and by the state, county or local entity because periodic review has to be made to ensure that the collateral still remains restricted and unavailable for any other use. We are finding that the governmental units, all

the way down to water districts, are finding that to be burdensome. By spreading the deposits and allowing the spreading of deposits amongst other insured entities so as to maximize the FDIC requirement, it thereby eliminates the collateral verification requirements and imposes less responsibilities on both the local side as well as the bank side. Also, I think it facilitates the intended desire of both sides to make sure that the deposits are 100 percent insured or protected, if they choose the collateral requirement.

Assembly Bill 78 does allow banks such as Heritage Bank to get into this market to, in essence, attempt to price their deposits competitively with the bigger banks. Without these changes, that might be more difficult for a bank of our size. Thank you.

Alvin P. Kramer, Carson City Treasurer:

With me is Tammi Davis, Washoe County Treasurer. We are representing the Association of County Treasurers of Nevada. We are not in opposition to this bill. We have an amendment ([Exhibit N](#)) that would basically add clarification only. I have heard over and over again that this allows and it gives us the option and things like that, but we would prefer that the statute would actually have the allowing language in it and that we are expressly directing this to happen on this account; not the accounts that already exist, not the other accounts that we might do in the future, but this account we want for sweep, CDARS, or something like that.

Other than that, I believe we support this bill, and I know there has been a lot of discussion on how this works. I think we have a pretty good feel for how it works. We would be open to any questions on that.

Chairwoman Benitez-Thompson:

Any questions from Committee members? [There were none.] Any additional testimony in support? [There was none.] Seeing none, I will open up for testimony for the legislative record in opposition. [There was none.] Seeing none, I will open up for testimony for anyone who wants to be on the record as neutral. [There was no one.]

Seeing none, I will close the hearing on A.B. 78. I will now make the microphones available for public comment. [There was none.] Seeing none, I will close this meeting.

Meeting adjourned [at 11:06 a.m.].

RESPECTFULLY SUBMITTED:

Maysha Watson
Committee Secretary

APPROVED BY:

Assemblywoman Teresa Benitez-Thompson, Chairwoman

DATE: _____

EXHIBITS

Committee Name: Committee on Government Affairs

Date: February 14, 2013

Time of Meeting: 8:05 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Kim R. Wallin / State Capitol	Report handout
	D	Kim R. Wallin / State Capitol	CAFR booklet
	E	Timothy R. Hacker / City of North Las Vegas	PowerPoint handout
	F	Jacob Snow / City of Henderson	PowerPoint handout
	G	Andy Hafen / City of Henderson	Prepared text
	H	Jacob Snow / City of Henderson	Report handout
	I	Joni Eastley / Nye County	PowerPoint handout
A.B. 78	J	Pat Hickey / Assembly District No. 25	Assembly Bill mockup
A.B. 78	K	William Uffelman / Nevada Bankers Association	Amendment handout
A.B. 78	L	Reginald L. Truman / Promontory Interfinancial Network, LLC	Prepared text
A.B. 78	M	Keith L. Lee / American Share Insurance Company	Amendment handout
A.B. 78	N	Alvin P. Kramer / Carson City Treasurer's Office	Amendment handout