

**MINUTES OF THE  
SENATE COMMITTEE ON GOVERNMENT AFFAIRS**

**Seventy-Seventh Session  
April 1, 2013**

The Senate Committee on Government Affairs was called to order by Chair David R. Parks at 1:38 p.m. on Monday, April 1, 2013, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412E of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

**COMMITTEE MEMBERS PRESENT:**

Senator David R. Parks, Chair  
Senator Pat Spearman, Vice Chair  
Senator Mark A. Manendo  
Senator Pete Goicoechea  
Senator Scott Hammond

**GUEST LEGISLATORS PRESENT:**

Senator Ben Kieckhefer, Senatorial District No. 16  
Senator Michael Roberson, Senatorial District No. 20  
Senator Tick Segerblom, Senatorial District No. 3  
Assemblyman Randy Kirner, Assembly District No. 26

**STAFF MEMBERS PRESENT:**

Patrick Guinan, Policy Analyst  
Heidi Chlarson, Counsel  
Suzanne Efford, Committee Secretary

**OTHERS PRESENT:**

Brenlon  
Barry Brode, Director, Washoe County Regional Animal Services,  
Washoe County Sheriff's Office  
Tammie Stockton, Principal/Director, High Desert Montessori Charter School  
K. Neena Laxalt

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Margaret Flint

John Wagner, State Chairman, Independent American Party

Brian McAnallen, Las Vegas Metro Chamber of Commerce

Sallie Doebler, NAIOP, Southern Nevada Chapter

Howard Watts III, Progressive Leadership Alliance of Nevada

Dean Baker

Joanna Jacob, Associated General Contractors, Las Vegas Chapter; Nevada  
Contractors Association

Kyle Davis, Nevada Conservation League

Susan Lynn, Great Basin Water Network

Pat Mulroy, General Manager, Southern Nevada Water Authority; Las Vegas  
Valley Water District

Kendra Follett, Sherman & Howard L.L.C.

Guy Hobbs, President, Hobbs, Ong & Associates, Inc.

Anne-Marie Cuneo, Director of Regulatory Operations, Public Utilities  
Commission of Nevada

Samuel S. Crano, Assistant Staff Counsel, Public Utilities Commission of  
Nevada

Chuck Callaway, Las Vegas Metropolitan Police Department

P. Michael Murphy, Clark County

Jordan Ross, Constable, Laughlin Township

Earl Mitchell, Constable, Henderson Township

James Kimsey

James Espinosa

Robert A. Ostrovsky, Chair, Commission for Cultural Affairs

Claudia Vecchio, Director, Department of Tourism and Cultural Affairs

Bobbie Ann Howell, Nevada Humanities

Art Wolf, Wolf Consulting

Allan Palmer, Executive Director/CEO, National Atomic Testing Museum

Patty Dominguez, Metro Arts Council of Southern Nevada

Danielle Kelly, Executive Director, The Neon Museum

Lynnette Sawyer, Executive Director, Hispanic Museum of Nevada

**Chair Parks:**

We will open the hearing on Senate Bill (S.B.) 225.

**SENATE BILL 225**: Designates the Blue Weimaraner as the official state dog of  
the State of Nevada. (BDR 19-842)

**Senator Ben Kieckhefer (Senatorial District No. 16):**

Senate Bill 225 designates the Blue Weimaraner as the State dog of Nevada. This bill is the result of a request from a constituent. It is a true petition of government. Both Assemblyman Kirner and I received a letter from a young man requesting that we designate the Blue Weimaraner as the State dog.

During the young man's academic research, he discovered that we did not have such a designation, and he petitioned his government for redress. That is why we are here today.

I have received no less than my fair share of derision for potentially "wasting our time" in this body. I would respectfully submit that any piece of legislation that lived or died based on a few minutes of our time to give a little education to a young man does not deserve to be law anyway.

**Assemblyman Randy Kirner (Assembly District No. 26):**

I would have to echo Senator Kieckhefer's comments. We represent all of the people in our district. There is no age requirement. This young man came forward with a proposal. This is a true demonstration of our willingness to listen and respond to our constituency.

A number of comments were made in the newspaper and in our respective emails. Almost every one of them says "not this one, but my dog."

**Brenlon:**

I have submitted written testimony, signed petitions, letters from students and others, and pictures ([Exhibit C](#)) supporting S.B. 225.

**Barry Brode (Director, Washoe County Regional Animal Services, Washoe County Sheriff's Office):**

I support Brenlon and his efforts to bring S.B. 225 to the Committee today.

**Tammie Stockton (Principal/Director, High Desert Montessori Charter School):**

Brenlon is a third-grade student at our school, and I am here to support this legislation. As educators, one of our goals is to create citizens who take an active role in our State government. It is commendable for a 9-year-old child to go through the process it takes to sit before you today. I would like you to take serious consideration of what is before you and give it your support.

**K. Neena Laxalt:**

I come from Basque heritage. My grandfather came to America approximately 100 years ago and continued in his trade of sheepherding. Many people have taken this bill lightly. Sheepherders have become part of Nevada's culture. They are part of one of the top three industries in the State.

When my grandfather was raising sheep, herders would start in Dayton with the lambing season, then walk the sheep from Dayton to the Sierra. At the end of the season, they walked out to Sparks to sell the sheep.

Border collies were always with the sheepherders. The Basque word for dog is "barbo." Barbos were always nearby, protecting the sheep, finding strays and fighting off coyotes and mountain lions. They have worked their way into distinction in Nevada. The border collie has earned its right to be called the Nevada State dog.

I have submitted a proposed amendment to S.B. 225 ([Exhibit D](#)).

**Senator Hammond:**

Ms. Laxalt, you have had about 100 years to bring this up, and you have not done that. I have to support Brenlon.

**Margaret Flint:**

I am a dog rescue volunteer. I worked approximately 3,000 hours at the Nevada Humane Society last year handling dogs. I appreciate and admire what Brenlon is doing; however, we have many dogs that would crave the love that Brenlon shows Cheeto. These dogs can only sit in kennels and dream about having a little boy to love them like Brenlon loves his dog.

"All dogs are Nevada dogs whether red, white or blue. All dogs are Nevada dogs loyal and true."

**John Wagner (State Chairman, Independent American Party):**

I have a problem with this because the dog is not native to this State. The only natives we have in this State are the prairie dog and the coyote. No one is fond of the coyote; therefore, I do not know what should be the State dog.

I appreciate the young man and his desire to do this.

**Chair Parks:**

We will close the hearing on S.B. 225 and open the hearing on S.B. 232.

**SENATE BILL 232**: Revises certain provisions relating to the regulation of certain municipal utilities. (BDR 58-481)

**Senator Michael Roberson (Senatorial District No. 20):**

The Southern Nevada Water Authority (SNWA) has managed the region's water resources and provided for the water needs for the region's residents and businesses since 1991. No one doubts that it has performed this task superbly, meeting the challenges of securing and moving water without interruption and with minimal cost to business and residential customers in an era of seemingly never-ending growth.

However, the recent economic recession, combined with the continued need for additional infrastructure to ensure adequate current and future water supplies, as well as the requirement to repay bonded indebtedness, have forced a revision in the SNWA's economic model. The virtual cessation of new construction ended its reliance on connection fees to cover the costs of the bonds that pay for new water infrastructure.

Last year's revenue needs required a significant increase in rates. Ratepayers will face a similar increase in 2 or 3 years. However, much greater increases will be needed if a new pipeline, estimated to cost between \$10 billion and \$30 billion, is built to tap aquifers in eastern Nevada.

The southern Nevada business community underwent rate shock in 2012, and all southern Nevadans face another soon. The funding for the new pipeline will necessitate a new, higher level of charges. At the same time, southern Nevada is just beginning to recover economically. Tens of thousands of homes are still underwater, unemployment remains high, commercial buildings stand vacant and businesses face higher expenses from numerous directions.

In this economy, the ability of residents and businesses to pay ever-higher rates for water cannot be taken for granted. More expensive projects on the one hand and the need to collect much greater fees from residents and businesses on the other mean business as usual cannot continue. There is more at stake.

I am not saying do not build the pipeline. I am not proposing a decision-making structure that indirectly places the pipeline, our existing bond obligations or future bond sales in doubt. What I am proposing is that future decision making must take into account the ability of southern Nevada's residents and businesses to pay and to ensure that rates and their allocation among various types of ratepayers are fair, equitable and not unduly burdensome when compared to the benefits received.

Before a costly decision is made, every ratepayer must know that the impact on him or her has been fully and fairly analyzed, taken into account, and balanced against the overall benefit of the project. It is imperative that ratepayers know this is a completely transparent and participative process, featuring a combination of expertise and democratic principles, or the future of projects could be in doubt.

Residents and businesses of southern Nevada will not accept a continuation of the current decision-making structure when the costs to them are so high. We need to change, and ratepayers need to know their voices will be heard and respected. This new world absolutely calls for a new approach to water rate making—one that is fully transparent, well-publicized and thorough. It should contain an additional review of SNWA rate making by utility rate experts with the time, knowledge and experience to examine and analyze all the factors involved in a fair and equitable process open to public view and involvement.

The current system is inadequate for this new world. The city councils and the Clark County Board of Commissioners, which approve SNWA's proposed rates for their retail systems, do not have the time, expertise or staff to adequately provide a meaningful review—a check and balance. Short-term political considerations tend to overwhelm economic factors.

Indeed, in 2012, the required business impact analyses were, in some cases, incomplete or merely copied from those supplied by SNWA. Major business organizations were not consulted for these analyses. The process is structured so that the city councils and the Commission face considerable risk if they disagree with the rates. Their general funds are then liable for any shortfall during the rate period.

Senate Bill 232 does not place all of southern Nevada's water supply and future planning in the hands of the Public Utilities Commission (PUC) of Nevada.

It does require that when the SNWA desires to change a water-rate schedule, its intention must be well-publicized and SNWA must file an application with the PUC to make the proposed changes.

At least 90 days before the day of the application to the PUC, SNWA must seek and obtain approval from the local government bodies within its service area. The government bodies must determine if the proposed rates are fair, equitable and not unduly burdensome to the affected customers within their jurisdictions. This bill does not deprive local government of its role, and should local governments decide to take a more active role on behalf their constituents, they have the opportunity.

Once all the local governments have given their approval, the SNWA may make application to the PUC to change rates. The PUC then appoints a hearing officer to investigate the proposed rate changes and approve or disapprove them.

Section 13 of S.B. 232 makes clear that SNWA must obtain significant public input and data for each rate-paying class. Its analytical methods and results must be publicized and presented in an understandable manner. The impact statement for each class of customer must be comprehensive and contain the full range of rates within each class as well as the direct and indirect costs and benefits for each.

In compiling the data for these analyses, the bill requires that SNWA obtain the input of any publicly recognized organization or association composed of and representing affected customers. Such organizations would include homeowners' associations, renters, consumer groups, chambers of commerce, industry associations and commercial organizations, among others. The application will contain a list of all those consulted.

It is also critical that S.B. 232 requires the hearing officer to assess the impact of the rates on a number of key financial and operating criteria of SNWA. I want to stress this last statement. The hearing officer will not be looking at the rates impact on customers in a vacuum, but rather in the context of the operational and financial needs of the SNWA in its duty to provide for the current and future water needs of southern Nevada.

It is also significant to note that S.B. 232 charges the hearing officer with determining that the proposed rate increase is fair, equitable and not unduly

burdensome to each class of customers for which information was submitted and analyzed for the impact statements.

Furthermore, the hearing officer must determine that the proposed rate increase treats each class of customers fairly and equitably, is not unduly burdensome and does not unfairly affect or discriminate against any class of customers relative to all other classes of customers. We are all in this life together. We must all pay our share, but we must also be treated fairly in relation to those with whom we share the benefits of SNWA's efforts. The PUC has 90 days to modify or disapprove the hearing officer's proposed order.

In summary, given the economic and political stakes involved in future water rate making, these decisions are too critical to southern Nevada's future and its inhabitants of all rate-paying classes: business, commercial, resorts and residential. In order to leave these decisions to the current insular system—no matter how skilled or dedicated those involved are—they must have a meaningful, transparent, skilled review with full involvement of the affected parties.

Such a process, while more lengthy and cumbersome, will also mean more buy-in of ratepayers to decisions, since they will know their needs were fully taken into account. This factor alone is sufficient to make the change that S.B. 232 contemplates.

**Senator Goicoechea:**

I have one concern with the bill as drafted, and I would like to propose a friendly amendment.

The bill would capture all of those smaller municipal utilities that deal with water and wastewater. That would be Moapa Valley, Mesquite and even Boulder City where they truly are governed by a separate board that is elected by the community.

If their operating revenue budgets are somewhere around \$20 million, that would exempt them and do what we intend to do, which is to capture SNWA in that major piece.

I am concerned about the small communities in my district, such as Moapa. It has an elected board which directly answers to the consumer base. It would be problematic for Moapa to file a rate case if it had to make a change.

**Senator Roberson:**

Senator Goicoechea, you and I have talked about that, and we agree it was never the intent to include some of those smaller water districts. This fix is a drafting issue that I will certainly support amending.

**Senator Spearman:**

I am looking at an amendment suggested by Warren Hardy on behalf of the Virgin Valley Water District ([Exhibit E](#)). It states, "Amend the bill so that the provisions do not apply to rural water districts in the impacted county." Is this the same thing about which Senator Goicoechea is talking?

**Senator Roberson:**

Yes, Senator Spearman, it is the exact same thing.

**Chair Parks:**

In recent years, Truckee Meadows reorganized and acquired water service from private ownership through the Truckee Meadows Water Authority. Did you look at that model when you were working on your bill? The Authority has an elaborate review process similar to that in your bill.

**Senator Roberson:**

I did not look specifically at what the Truckee Meadows Water Authority has done, but I am happy to look at that. There is more than one potential solution to this issue. As I have made clear to the SNWA from Day 1, if it has other ideas on how to improve the current process, I am open to hearing those proposals.

**Brian McAnallen (Las Vegas Metro Chamber of Commerce):**

Under its general manager, Pat Mulroy, the leadership of SNWA has done an outstanding job of protecting southern Nevada's future and ensuring an adequate water supply and a high-quality water resource. The SNWA has protected our interests with our compact states and has effectively negotiated with Mexico to our mutual benefit.

The Las Vegas Metro Chamber of Commerce is not questioning the necessity of last year's infrastructure rate increase or the need to pay off SNWA's debt obligations. We support both of those investments and understand the need for the rate increase 1 year ago.

Senator Roberson has done a good job defining the challenge that brought us here today, which was the process to institute the rate increase. This bill is not personal. It is about improving that process. I want to thank SNWA for supporting Assembly Bill (A.B.) 408 in the Assembly Government Affairs Committee, which relates to improving the sections that address business impact statements in the *Nevada Revised Statutes* (NRS). Assembly Bill 408 is another important bill which relates to business impact and regulatory statements in this rate-making process.

Assembly Bill 408: Revises provisions governing business impact statements prepared by state agencies and governing bodies of local governments. (BDR 18-416)

I understand that Senator Roberson addressed a concern about S.B. 232 and how it would affect SNWA's bond rating. According to our bond consultants, if this bill passes, it will not affect the bond rating or the ability to sell bonds if it is done properly.

As noted in section 13, subsection 5, paragraphs (a) and (b), the proposed rate increases need to be fair, equitable and not unduly burdensome to any members of each class of customers and does not unfairly affect or discriminate against any class of customers relative to the other classes. That language is important and should be a guiding principle in all rate-making processes.

The Chamber advocates for adequate notice for rate making and more information and data to define the basis of rates. During the last rate process, the notice in the classified section of the newspaper was not adequate for communicating to the public.

We also need an independent and objective audit of any proposed rates. The public hearing process needs to be changed from just an opportunity for public comment to be more open and allow for a real dialogue with evidence-based questions. The hearing officer process at the PUC forces questions to be

answered, and data and evidence used in the process of rate making to be presented.

The rate approval process needs to be changed as well, with more technical expertise and greater balance because those making decisions should be able to approach the approval from a deep politicized perspective.

Last week, the Chamber met with the staff leadership of SNWA. We had a good conversation, and we are willing to meet again to continue a dialogue on possible alternatives to the process outlined in this bill. As Senator Roberson indicated, there are other alternatives which could go forward.

However, the current process is not adequate, and now is the time to make a change. As we look to the future with significant increases and additional rates on the horizon, the stakes are too high to continue the current process that is undefined and ad hoc.

**Sallie Doebler (NAIOP, Southern Nevada Chapter):**

There is often a misperception that NAIOP is an organization of big developers that have their names on big buildings. However, NAIOP is a compilation of everyone doing commercial real estate development in southern Nevada. Many of our members are small developers with small projects. Many of these developers are trying to make their payrolls every week. They try to make their loan payments. If they were lucky enough to come out of the economic downturn of the past few years, they are trying to survive.

Changes to their operating costs dramatically affect their ability to do business. Their projects create jobs, and many of their tenants and clients are small entrepreneurial companies that are vital to the economic growth and diversification of southern Nevada.

We are concerned for their ability to perform profitably with current conditions. However, we are even more concerned about their businesses surviving under future conditions.

We commend Senator Roberson and the sponsors for introducing S.B. 232. We support and agree with other positive comments made in prior testimony. We also support a process to promote transparency and accountability.

**Howard Watts III (Progressive Leadership Alliance of Nevada):**

We support S.B. 232. As someone who has been involved in water issues and has reviewed rates and their impact on consumers, I want to speak on why we need this bill.

One of the key points is the SNWA's proposed groundwater pipeline. Despite the project's environmental impact statement not being finalized, SNWA has already spent millions of dollars purchasing ranches with their attendant water rights and spending funds to maintain those ranches in order to preserve the water rights.

As recently as 2 weeks ago, Ms. Mulroy stated that the cost for that project would be as little as \$3.5 billion, despite estimates commissioned by the SNWA which put the cost of the project at least twice that high. There is also the debt service on that project.

We have heard from the business community about the impacts of the last rate increase to finish the third intake into Lake Mead. We can only imagine the impact this pipeline would have, not only on businesses but also on every ratepayer when this project goes forward. There are impacts now due to the way SNWA is spending ratepayer dollars.

We cannot leave policy to the SNWA Board of Directors. The history of meetings and votes by the Board indicates that SNWA staff tends to dictate policy to the Board instead of the other way around. The Board does not spend the majority of its time focusing on water or public utility policy but rather on a wide variety of issues.

Times are tough. Because of reduced growth, money for the SNWA is going to come mostly from ratepayers. That means we are all going to be paying more. However, we need to make sure the collection is fair and the proposed new fund expenditures are both justified and cost-effective for ratepayers.

Our goal is not to hurt the SNWA or end future projects, although we are a vocal opponent of the groundwater pipeline. Our goal is to ensure that, in these times, the best possible collection and use of ratepayer dollars is occurring at SNWA.

The SNWA has done a great job of securing the water supply for southern Nevada, and it has often taken a long view at securing those resources. However, we want to take a long view at making those resources go as far as they possibly can. We want to make sure that the funds we provide to this public utility are put to the best use possible.

There has been a history of questionable decisions made by SNWA, and we want to make sure that there is minimal impact on all southern Nevada ratepayers in the future.

**Senator Goicoechea:**

Mr. Watts, have you done an analysis on what \$3.5 billion in bonds would do to the rate structure?

**Mr. Watts:**

We have not yet done that analysis. We cannot afford to hire someone to do that analysis. Projected growth and hookup fees would factor into a portion of rates.

When you look at the SNWA obligations, even cutting back in some areas to make sure we can invest in that project would require a substantial rate increase. Unless there is growth at 2006 levels, the only place the money can come from is the ratepayers. Simple math says it would result in significant rate increases. Rate increases can either be tier based on usage so the per gallon rates would go up, or they would be flat fees which is what we saw last year, to which we are opposed. Rate increases should be tiered along usage to encourage conservation. The flat rates that hit the business community were based on meter size. Even if you were using the same amount of water month to month, your bill could suddenly increase significantly.

**Dean Baker:**

I do not want to hurt Las Vegas, Clark County or southern Nevada. I was appointed to a committee by White Pine County and active in the committee for over 2 years. Thirty people were on the committee. It was very educational. This kind of bill is important in order to review everything. The committee was oriented only on getting bigger and building more.

In the past, SNWA tried to obtain our ranch. As a result, I learned much. My experience says the pipeline will be a disaster for Las Vegas if it is built. It

should be totally proven that the water is there—it might not be there and not be surface water. Everything should be put on the table, reviewed and searched carefully to determine that this will work for Las Vegas, and not just enable continued building.

The SNWA are good, competent, capable people. I have argued with them many times. I am not against them, and I do not want to hurt them, but this needs to be reviewed on a larger scale and the costs and impacts understood. Who is going to do this and how it will be done are important factors to consider in order to protect the future of Las Vegas.

**Joanna Jacob (Associated General Contractors, Las Vegas Chapter; Nevada Contractors Association):**

We support this bill and the process it will set up. Anything that brings transparency and more analysis of the impact upon the affected ratepayers is something that we can support.

**Kyle Davis (Nevada Conservation League):**

You have heard testimony about what is going on. We support this bill because the PUC is the most appropriate body to deal with these issues. The PUC obviously has a lot of experience in determining rates and designing rate structures. The PUC also has experience in analyzing the appropriate use of ratepayer dollars to ensure money is spent in the most efficient manner possible.

We and other environmental groups have had concerns with some of the decisions made by the SNWA over the last decade. We would certainly support more oversight and transparency regarding expenditures.

**Susan Lynn (Great Basin Water Network):**

We, too, do not wish southern Nevada harm, but we are concerned about financing and impacts resulting from decisions made by the SNWA Board.

Senator Roberson has presented a real reason to support this bill: open government and decision making, adequate public process, and expert and informed questions. In many instances, we have found that confidentiality is more important than going public. For that reason, we support this bill and hope that you will give it positive consideration.

Our main concern is finances. The numbers that Mr. Watts has given you came from the water hearing conducted by the State Engineer and completed by Hobbs, Ong & Associates, Inc., in southern Nevada. Those figures have been made public and are of great concern because if \$1 million is spent for bonding, \$1 billion for the third intake and \$10 billion to \$16 billion or more, rate increases will be that much more.

I have spent 20 years on water issues. I am no authority, but I know that it is a complex field and experts really need to be asking hard questions.

**Pat Mulroy (General Manager, Southern Nevada Water Authority; Las Vegas Valley Water District):**

We have spent several weeks discussing S.B. 232 with various parties, and we understand the genesis of the bill.

In 2012, the SNWA was confronted with an impossible situation. Since the economic downturn of 2008, we have been spending the reserves, built up over the years from connection charges and elevated sales tax collections, on bond payments and meeting our debt obligations.

The Colorado River's drought deepened to the point that it necessitated the most difficult construction project in the United States. There is nothing simple or uncomplicated about it, and it is expensive. Had this project not become the utmost necessity to secure the water supply for southern Nevada, we would not be sitting here today.

We would not have had to institute such sudden rate increases. We would still be spending our reserves and having longer, more in-depth conversations with our customers about ways to make our debt payment.

From the years 1995 through the end of 2011, southern Nevada built \$2.4 billion in infrastructure to accommodate astronomical growth and economic development. These facilities went through a lengthy public process. In 1995, an Integrated Resource Planning Advisory Committee organized a group comprised largely of business interests in southern Nevada as well as residents, environmental interests and other concerned parties.

That group created the proposal for the facilities that had to be built over the course of the next 15 to 20 years. It also identified the resources that would

have to be pursued and the financing model upon which we had been making our debt service payments and building the necessary facilities.

You have to understand that SNWA is not a traditional utility. It is predominantly a capital construction agency. We have five water retail member municipal agencies. We came together to form SNWA to create a partnership to build facilities and charge customers the least amount of money possible. We knew we were facing a daunting challenge to accommodate the growth occurring in southern Nevada.

A unique set of complications was presented to us when it became necessary to build the third intake during the great drought. The year 2008 came along, the economy crashed and suddenly we had to build an \$800 million facility for which there was to be no additional growth to help pay. It was designed to replace our upper intake, which we know we will lose one day.

The Colorado River is facing the worst two back-to-back drought years in its history. Lake Mead will drop another 13 feet in 2013 unless a miracle occurs next month, such as additional snow on the western side of the Rockies. We are racing the clock to install the third intake. In 2011, there was a very wet water year, and the Board discussed ways to avoid building this project because growth had abated.

However, 2012 was the second worst runoff year in the history of the river. We had to go forward with this project and sell another \$350 million in bonds. We knew we could not take on additional debt without adjusting our rates. We had been spending our reserves since 2008 and by 2015, they would be depleted. Because of those circumstances, and because we were already on credit watch by Moody's, we knew we would not successfully sell those bonds without a rate adjustment.

We had to move quickly. We had avoided significant rate increases during the preceding 5 years because of the economic condition of the community. Because we had a significant reserve, we knew the community would have little patience with us asking for rate increases when we would still be able to make our debt service in the next couple of years. Therefore, we waited until it was no longer possible to wait.

If you were to ask me what I would do differently today, we would not have waited. We would have had that discussion sooner, and we would have done it in the deliberative process that we are embarked now. Given those time constraints, and knowing we had to sell the bonds by the spring of last year, in October we reached out to the Las Vegas Metro Chamber of Commerce and the gaming community to help us design various rate structures and limit the infinite number of options we could take to the Board.

With the help of the Las Vegas Metro Chamber of Commerce and the Nevada Resort Association, three options were developed. The first option would have put it on the commodity charge exclusively. The second option would have split it between a commodity charge and a fixed charge, and the third option would have laid it entirely on a fixed charge. The problem with the fixed charge and the reason you are hearing consternation from the business community is that there was a protected residential rate in the fixed charge.

I am also the general manager of the Las Vegas Valley Water District. Virtually one quarter of our customers are on payment arrangements. They cannot make their month-to-month water bill payments. Las Vegas has the highest foreclosure rate and the highest unemployment rate in the Country. The Board was sensitive to this population because it had gone through so much, had no way to deflect any of its costs and was bound to end up in worse financial shape. Senior citizens were choosing between medicine and their utility bills, and the Board wanted a protected residential rate. That drives this discussion.

We have discussed what is fair and equitable. Fair and equitable is in the eye of the beholder. If you ask the gaming industry what is equitable, they will tell you there is very little equity. For the last 20 years, the gaming industry has subsidized all users in the first and second tiers of our customer classes. If you ask the development industry and the builders, they will question the equity of connection charges that for the last 15 to 20 years paid all the bills. Equity is defined by the community.

After the discussions with those two groups and developing three options, we started a lengthy public process. At this point, it is important for you to understand the relationship between SNWA and each member municipal agency, including Boulder City.

Once the SNWA Board chooses an option and adopts rates and charges, every sitting city council and the Clark County Board of Commissioners vote to approve or deny the rates. Each of those agencies has a public notification requirement, has a public process requirement and has to post public hearings. The SNWA sent out the business impact statement. I agree with my friend Brian McAnallen in southern Nevada that work needs to be done on the way the business impact statement is drafted. We are doing that through legislation in the Assembly.

**Ms. Mulroy:**

When the Board started deliberating those three options, it asked SNWA to conduct open houses across the Las Vegas Valley. There were three open houses: February 13, 2012, at Marvin Sedway Middle School; February 15, 2012, at Ernest Becker Middle School; and February 16, 2012, at Bob Miller Middle School. The SNWA sends each customer a quarterly newsletter called *Water Smart Living*. The rate increase and all of its manifestations and the public meetings at the middle schools were noticed in *Water Smart Living*. A Website was created for public comments to be deliverable to the SNWA and presented to the Board ([Exhibit F](#)) by our customers who, because of their jobs, do not have the opportunity to attend one of the public meetings or come to the Board.

Tweets were sent out on Twitter on February 2, 6, 13, 15 and 16, 2012. The newsletter went to 600,000 residential customers in North Las Vegas, Henderson and the Las Vegas Valley Water District where those rates would be effective. Two separate electronic newsletters were sent to approximately 2,000 customers announcing the public hearings. There was no attempt whatsoever to hide this rate increase ([Exhibit G](#)).

The difference between the PUC rate increase process and a government-owned utility rate increase process is the structure of the utility. The PUC regulates investor-owned utilities. These utilities have shareholders. The PUC decides how much of the expenses of that utility can be put into the rate base and how much of it will be borne by the shareholders. The SNWA shareholders and all of its member agencies are its customers. We are the people's utility. There are no shareholders and no corporate interests upon which to deflect these costs.

When the PUC was created at the beginning of the twentieth century, it was to allow investor-owned electric industry monopolies to exist. The electric industry

did not lend itself to the kind of competition that would allow electrical wires from other companies running all over each other in communities. Because those utilities were investor-owned and all of their financial information is proprietary, a utility commission was put in place. A regulatory body was created in order to examine and review the proprietary numbers for equity. All documents and financial information of SNWA is open to public scrutiny.

When the Board made the difficult decision to adopt the flat rate in February 2012, it realized that was not the perfect answer. As a result, SNWA created a new Integrated Resource Planning Advisory Committee to reexamine these rates and charges, to review everything that was done last year and to plan for the rate increases we know are coming in 2016.

Of the 26 people on this Committee, 18 belong to the business community. They represent the real estate industry, NAIOP, chambers of commerce, the gaming industry, developers and the Associated General Contractors. Everyone is represented on that Committee. The Committee is defining what equity is for southern Nevada. Its recommendations will go to the Board. If the Committee wants to rework the adopted rates or find a better definition of equity, it will bring it to the Board.

In all fairness, there has not been any process under the PUC where the affected ratepayers came together as a committee, designed the rates and had the time and the luxury to look at the impact of those rates before going public. No one needs to hire a lawyer or intervene in the process because it is wide open. Whatever numbers the Committee wants, the Committee will receive.

Many people oppose the in-State water project. I understand that because of what this means for all future resource acquisitions and all future capital expenditures for the SNWA. We have bond covenants. Because this is a rate repayment bond, there is a proviso in the bond covenants, as are in covenants for any general obligation-backed bonds in southern Nevada, that the Board will set whatever rates and charges are necessary to repay the bonds. There is no additional regulatory oversight envisioned in the contracts we entered into with bondholders for the \$34 billion worth of bonds we have sold to date.

If SNWA had to go through a regulatory process to sell bonds for any capital expenditure, we would have to get that capital expenditure embedded in a PUC-approved resource plan. The NV Energy, Southwest Gas and all other

investor-owned utilities have a PUC-approved resource plan. No one would buy bonds if a regulator can decide that you cannot charge or recover your costs. That process will put all of our outstanding bonds into question and will have a serious impact on the bond ratings enjoyed by the SNWA and its member agencies.

This in-State project approved by the State Engineer received the record of decision from the U.S. Secretary of the Interior for the right-of-way in December 2012. The project sits on a shelf until Lake Mead hits an elevation of 1,075 feet. Lake Mead's elevation is 10 feet higher than it would be normally. The SNWA, the Metropolitan Water District of Southern California, the Central Arizona Project and the country of Mexico are putting bought water into Lake Mead to raise water levels. All of the water we receive from the Muddy and the Virgin Rivers and for which we are paying leases, and all of the water and expensive facilities we have developed in the Coyote Spring area, which brings water through the Moapa system to Lake Mead, raises water levels.

The water level in Lake Mead will go down. When it reaches an elevation of 1,075 feet, the water will be at the lower portions of the Lake and we will have fundamentally run out of time. Southern Nevada will be affected at 1,075, at 1,050 and at 1,025 feet of elevation. Thanks to the water conservation efforts of the southern Nevada community, the economy in southern Nevada will never feel it. It is already conserved. But down at elevation 1,000, where our second intake is, there will be less than 5 million acre-feet left in a reservoir that holds 26 million acre-feet, with an annual demand of 9.5 million acre-feet.

Boulder City and the City of Henderson, two of our member agencies, rely exclusively on Colorado River water. We have to avoid cuts so severe that those two communities would no longer meet fire protection, domestic and commercial water uses.

This in-State project is not a project of design; it is a project of last resort. That means nothing else is possible. There is no way to desalt water; there is no way to exchange water; nothing else is possible to save Lake Mead to get through the rest of this drought. Southern Nevada has to find a way to back itself up.

When the Board discussed this project with staff, it knew there would be a lengthy process with the southern Nevada community to determine how to pay for it. There are a number of estimated costs for this project. If you have

those questions, Guy Hobbs of Hobbs, Ong & Associates, Inc., will answer them for you. He wrote the report on the ability to finance the project that was submitted to the State Engineer.

There are many reasons why people would want the SNWA to have a difficult time planning for its future capital needs, its future water resources and its ability to continue to protect and secure southern Nevada's water.

When you make these decisions, you have to understand that the financial community views water as one of the three top liabilities for economic development in southern Nevada. During the downturn, while the drought was raging, I spent half of my time with Wall Street and countries around the world that are investing in southern Nevada.

The question I get all the time is: Can southern Nevada guarantee and secure water resources for its constituents? That is what we view as our charge. We are wide open to ideas on how to pay for it. We look forward to what the Integrated Resource Planning Advisory Committee will tell the Board about how this community defines equity. Equity does not have an objective definition. It is a reflection of the community's values and how the community views its ability to repay its obligations.

**Kendra Follett (Sherman & Howard L.L.C.):**

I am here to present our opinion on this bill regarding the impairment of contracts which is contained in a letter submitted by John O. Swendseid ([Exhibit H](#)).

Both the U.S. Constitution and the Nevada Constitution as well as NRS have provisions protecting the contractual rights in place so there can be no impairment of contractual rights, in this case, for bonds.

It is our opinion that S.B. 232 would impair the contractual rights of bondholders in this case because PUC regulation would substantially change the ability of SNWA to affect its own bond covenant in its various resolutions when it issues bonds.

**Senator Goicoechea:**

I can understand how it might affect bonds in place, but to sell new bonds you would have to have the security of a rate structure in place and a mechanism to

pay those bonds. I am concerned about why you would not want to have a defined rate case, whether it was done by the PUC, or someone else, saying these water rates have to increase to finance your project.

Actually, we are talking about doubling your bonded capacity. If you put the new pipeline in or another significant project, your number of \$3.5 billion would be doubled. You have to have a mechanism in place to determine that the rates will be doubled. I can see how it would affect future bonding, but I am not sure how it would affect the bonds you have in place.

**Ms. Mulroy:**

Rates and charges are not the only revenue source for the SNWA. We also receive sales taxes. If or when the time comes that this project is needed depends on the economic conditions in southern Nevada at the time, such as sales tax and connection charge collections. Then we can have a discussion about what is left.

I will agree with you that it will be a large financial burden for southern Nevada, and there will have to be long discussions with the community about how to pay for it. However, in order for us to begin any design portion of it while the financial discussions are underway, we would have had that project embedded in our resource plan by the PUC. That is what we are talking about.

**Senator Goicoechea:**

I realize that this is a work in progress. Depending on what happens with S.B. 232 and for whom you build the rate case, whether it is for your consumer base, for your users or for the PUC, it still has to be a rate case.

**Senator Spearman:**

Other privately owned utilities in the State are regulated by the PUC.

**Ms. Mulroy:**

They are all investor-owned so the PUC decides how much of the cost the utility can embed in the rate base and how much of the cost falls to the shareholders.

**Senator Spearman:**

What is the difference between them and SNWA?

**Ms. Mulroy:**

The SNWA has no shareholders. It is the people's utility. Our customers are our shareholders. Therefore, there is no shareholder to whom the costs can be offloaded. Everything will fall to the ratepayers.

**Guy Hobbs (President, Hobbs, Ong & Associates, Inc.):**

While this bill is well intended, some technical issues are financially problematic. Some are related to bonding that would occur in the form of impairment to contracts with existing bondholders. What I am speaking about is the degree of uncertainty of this type of process as envisioned by S.B. 232. That process would create uncertainty in the eyes of those who rely upon revenues arising from rates to pay the debt service.

The bill adds multiple new layers of approval processes at the local government level, at the hearing master level and ultimately at the PUC level. Each one of those decisions could go one way or the other; hence, uncertainty would be added to the process at multiple levels. It also adds a significant amount of time to the rate approval process. As described earlier today, there would be a 90-day notice period, followed by a 210-day consideration period on the part of the hearing master and then another 90-day period. By my math, that would be a year or more. One of the things we need to do—because it is something we promised in all of our contracts with existing bondholders—is raise rates as necessary to maintain payment on all of the outstanding principal and interest we have.

Creating uncertainty about whether those rates will be raised violates covenants we have made with all of our existing bondholders. Extending that period makes us far less responsive in assuring that the rates being proposed to maintain currency with our outstanding indebtedness are responsive and timely.

As drafted, this bill would seem to contravene the agreement with bondholders—which is based on the fact that rates will be raised, with certainty, as needed to pay debt—by interjecting a tremendous amount of uncertainty as to whether those rates will actually materialize to pay for the outstanding debt.

The review process, particularly by the hearing master as prescribed in the bill, lacks any technical substance. Constant reference has been made that rates be fair, equitable and not unduly burdensome. The financially prudent decisions

made by the SNWA on the types of conditions that need to be maintained to preserve an adequate credit rating are not prescribed in the bill and are of equal importance to the ratepayer.

To the extent that uncertainty is on the minds of those in the credit markets, one of the first things that we could predict would happen is the reduction in the high-quality credit rating enjoyed by the SNWA. Why is that important? The higher our credit rating, the more credit worthy we are. When we borrow money, we borrow it at lower interest costs. Lower interest costs translate into less need for rate increases to pay off that debt. If our credit rating were to take a hit, which it might upon the passage of this bill, one of the things we could expect in the future would be higher costs of capital and consequently higher costs to build projects than otherwise would have been the case.

All of the things I have mentioned to you serve to make the credit markets less confident about SNWA creditability. Less confidence on the part of the credit markets translates into reduced credit ratings and increased cost of capital.

In our opinion, the bill as introduced would result in an impairment of contracts with bondholders, reduced credit quality and raised borrowing costs for the SNWA and, just as important, for its customers.

**Senator Goicoechea:**

You hit on the key point of the bill which is about what my constituents and the constituents in Clark County want. What I heard you say was that, technically, the rates could be raised to satisfy the bonds, and therefore the bondholders have a certain level of security because they can raise rates at the point deemed necessary to bring in revenue.

As I look at this, we are talking about doubling your bonding capacity. Is the consumer base comfortable with having no oversight when rates are raised to satisfy \$7 billion to \$10 billion worth of bonding? The bonding company would love it, but I am not too sure the consumer base, my constituents and those in southern Nevada would.

**Ms. Mulroy:**

That is why I said the time is not right to have that conversation. Our continued efforts on the Colorado River will push that day out as far possible. Then there will have to be discussions about how we pay for it. In my conversations with

members of the business community in southern Nevada, taxes have to be a part of the equation.

Climate change is causing unbelievable disruptions across the West. Compare the \$3.5 billion we have to spend with the nearly \$16 billion the Metropolitan Water District of Southern California and other small water districts will need for the statewide tunnel project in California. We are the first to agree that water projects are extremely expensive.

This will never happen. There are 29 elected officials in southern Nevada who are directly accountable to the public and will have to face their constituents when those bills go out. They are not corporate individuals. They are people who stand for election every 4 years as you do.

**Senator Goicoechea:**

I agree with that. I am not being adversarial about this, but the bottom line is we are being responsive to our constituents. We will not go back and discuss this whole thing over again. You raised commercial rates last year for that third intake, and we felt the pushback as you did. We are just trying to do the best we can. We need to have some way to establish a rate for those people because it is down the road, and it is going to be ugly.

**Senator Spearman:**

Regarding the money already expended that Mr. Watts spoke about, what percentage of the rate increase was for the individual ratepayer? I am not talking about corporate. Did you say \$3 billion has already been spent on the pipeline?

**Ms. Mulroy:**

It was not spent on the pipeline. He was talking about ranch acquisitions. All of the ranches but one was paid for with cash. They were pay-as-you-go.

**Senator Spearman:**

It is pay-as-you-go. However, there are no shareholders in the company. My question is, if my bill is \$40 a month, what percentage would go to fund that—even though it was cash?

**Ms. Mulroy:**

The cash would have come predominantly from connection charges and sales tax. The SNWA had very little commodity charge. All cash payments were made by the development community and not by the water ratepayer.

**Senator Spearman:**

The water ratepayer did not contribute at all to that.

**Ms. Mulroy:**

There were some bonds. I want to give you an exact number, but I cannot pull it out of thin air. However, it was minimal. The cost for the majority of ratepayers was 30 cents per 1,000 gallons, which pays for the debt service on the outstanding debt, and now we have added \$5 to the single-family water bill.

On a \$40 water bill, you would be paying 30 cents per 1,000 gallons for everything, which includes the second intake and the regional transmission mains—the bulk of the expenditures. We have not started building the in-State project.

**Senator Roberson:**

It is interesting to note that everyone who testified against S.B. 232 works for Pat Mulroy in one way or another. This is important to remember. A legal opinion from the attorneys for the SNWA states that this bill will violate bond covenants and is unconstitutional. This is a red herring. I can find a lawyer on the street today to get an opinion that says something different. That is what advocates do. In fact, the Las Vegas Metro Chamber of Commerce testified that its attorneys disagree with the attorneys for the SNWA.

It is very easy to design legislation to ensure that actions by the PUC do not violate existing bond covenants. We can do that as a body in this legislation. That is a red herring, and if that is the best argument they have, it is weak.

I want to mention that the Integrated Resource Planning Advisory Committee Ms. Mulroy mentioned has no binding authority to do anything. It is advisory only.

I am concerned about the gaming industry, the business industry and residents. However, the gaming industry and the development industry have lobbyists. They have people who come to the Legislature and advocate on their behalf.

I am more concerned about the residents of southern Nevada. They are, in relative terms, politically powerless in this process. They do not have a consumer advocate, such as the Consumer's Advocate in the Attorney General's Office, who speaks for residents at the PUC level on rates proposed by Southwest Gas or NV Energy.

We need a consumer advocate and independent oversight. Much of Ms. Mulroy's testimony today related to the scarcity and the value of water and the need for additional revenues, none of which is in dispute. I have heard before from Ms. Mulroy that the sky is potentially falling and we have to make sure that it does not. I agree that rates will have to increase, but that is not the issue. The issue is how you get there and how you allocate that burden among the various members of the community. Ms. Mulroy spoke little on that issue.

It is important to talk about what is going on in southern Nevada. This is an example of unmitigated power, held by one person, over the water rates of southern Nevadans. I have heard many times about how 29 local elected officials review and approve rates. History and experience show otherwise.

Just this past year, there was minimal rate notice. The public notice was in the classified ads section of the *Las Vegas Review-Journal*. Yes, there were three open houses at middle schools. At those three open houses, residents who wanted to give input had to log in to a computer terminal. They could not do what residents of Nevada can do in the Legislature, which is come up to the table and speak to the people making decisions.

When this came before local governments, business impact statements were an issue. There is supposed to be a business impact statement developed by each local government. The City of Henderson's was partially blank. Not all of the pertinent questions were answered. North Las Vegas's business impact statement was a reproduction of what they had been spoon-fed by the SNWA. Two well-respected government officials stated publicly that they did not know for what they had voted. They had made a mistake.

In the City of Henderson, the City Council spent only 7 minutes on this issue. The mayor of Henderson told his colleagues that this was a pass-through, and they had to vote for it. I do not care if there are 29 local elected officials or 280 local elected officials, that is not independent oversight.

Since December 2012 when I sat down with Ms. Mulroy, I have expressed an interest in working with her and the SNWA to come up with a workable solution that is better than the current process. It does not necessarily have to be PUC oversight, but every time we have the conversation about independent oversight, we hit a block wall.

I have asked the SNWA Board, and I will ask again, for some other ideas if the Board does not like PUC oversight, although, PUC oversight is a viable option. There is no legal or constitutional issue. Everyone in this Committee can obtain an opinion from the Legislative Counsel Bureau.

The PUC will be here to testify. The PUC has talked about a rate design alternative process which is not full PUC oversight. I think that is something to consider as well.

I want to make the point that we need independent oversight that southern Nevada residents do not have.

**Anne-Marie Cuneo (Director of Regulatory Operations, Public Utilities Commission of Nevada):**

Senate Bill 232 puts the SNWA under the regulatory purview of the PUC. Regulation can take many forms. With the 27 small water companies that we regulate, we look at everything. We go through all their books and records. We get to be a Monday-morning quarterback on every decision they make. That is a time-consuming and in-depth process.

If that were the level of oversight you would like the PUC to exert, there would be a huge increase in staff because we have only three water engineers. They would be responsible for taking care of all of that for the State as well as SNWA.

However, from listening to the conversations, it is my understanding that part of the issue was about rate design, and once the charges have been developed, who should pay what. The PUC has its own set of experts for that. It would be a more consolidated review that does not Monday-morning quarterback every single decision the utility makes. Those experts would determine who should pay once an amount of money has to be collected. Residential customers should pay a certain amount; business customers should pay a certain amount;

or should there be tiered rates to encourage conservation? We have a whole team of economists whose job it is to do precisely that.

If the level of PUC oversight were simply giving our expertise with respect to rate design, then that would change the fiscal note considerably.

Along those lines, to be helpful with this process, the PUC would like to point out NRS 709.145, which may be a good starting point for discussions. It allows any political subdivision, which operates or controls a water company, or the board of county commissioners of any county that has a water company to ask the PUC for help to contract for a review concerning the water company. This could be a useful component. No one has ever taken advantage of this statute.

**Senator Goicoechea:**

As written, this bill would require an increase in staffing and a significant fiscal note.

**Ms. Cuneo:**

We understand the bill as putting full and complete regulatory oversight of decisions made by SNWA and its member agencies with the PUC. Our reading could be off, but if we were to treat SNWA as we treat a typical, regulated utility, that would require a significant increase in staff.

**Senator Goicoechea:**

We are seeking oversight of rates and fiscal expenditures for SNWA, not the details and how many gallons you are delivering here and what that utility line size is, because they know how to build their system. I do not know what this would cost the PUC, but we are looking for the fiscal, financial oversight, which is the intent of the bill.

**Ms. Cuneo:**

We understand that. The PUC is neutral on S.B. 232. We are here to get you to where you want to be. I want to make sure we are all clear about where we are starting.

**Senator Hammond:**

If we do not want the full oversight, then you would have to rework the fiscal note, and it would be significantly less.

**Ms. Cuneo:**

That is correct. If the oversight that the PUC is intended to provide is simply rate design oversight, the fiscal note would mostly disappear. *Nevada Revised Statutes* 709 has a process where the PUC can contract. Instead of having a full-time PUC employee via a fiscal note, if you take the NRS 709 route, you could contract that out and member agencies would only pay for the PUC contracts on a case-by-case basis.

**Senator Hammond:**

If you did not have to worry about this but once every 2, 3 or 4 years, you would contract that out and just pay the contract.

**Ms. Cuneo:**

That is correct. That is how we would view that. We could contract to do it in whatever time period necessary. If the period needed to be shortened and the PUC needed to hire additional temporary staff to do that, then that would be implemented in the contract. Otherwise, if it would occur in a typical 210-day process, then perhaps the contract would be less.

**Senator Spearman:**

Who has oversight now? Are we saying that there is no oversight; there is no appellate court for decisions?

**Samuel S. Crano (Assistant Staff Counsel, Public Utilities Commission):**

The Las Vegas Board of County Commissioners or the city councils have oversight to a certain degree, but generally there is no oversight.

**Senator Spearman:**

More directly, is there any veto power outside the SNWA?

**Mr. Crano:**

Just the city councils or the County Commission, but that is it. I am not sure how much power they actually have.

**Ms. Mulroy:**

I have to correct the statement that there is no oversight. These elected officials put their careers on the line when they approve these rates and charges.

The PUC is appointed by the Governor. I have been in government for 30 years. I have seen PUCs with different philosophies over the course of the 30 years. The PUC represents the philosophy of the Governor who appointed it. Who is going to define equity? To say there is no regulatory oversight is fallacious. There is scrutiny by anybody in the business community. We have a very sophisticated business community that can obtain all of our financial records and review any number it wants.

At the end of the day, it is deciding who pays what in what rate category. That is a question of equity. Liberal governors have an approach that would favor the residential customer, and less liberal governors give more preference to the commercial customer.

It gets down to who defines equity. These people are accountable to the electorate in southern Nevada. They put their careers and future elections on the line with every one of these rate increases. The PUC changes; at the end of the day, will it be the Governor's rate or the local elected official's rate?

**Senator Roberson:**

Ms. Mulroy is partially correct when she says that city councils and the County Commission in Clark County face political pressure in making these decisions, however, not in the way that Ms. Mulroy indicated. The process is structured so that their hands are tied. They face considerable risk if they disagree with the rates, because if they disagree, then their general funds are liable for any shortfalls during the rate period. They really do not have a true say in this. There is not true independent oversight.

I have spoken with many local elected officials for whom I have much respect. They are not here today; however, they have advised me that they support this bipartisan bill that almost everyone on this Committee has cosponsored.

The fiscal impact statement is not correct because it is based on a false assumption that we are looking for total oversight on policy for the SNWA. We are just looking for oversight on rate making. You will find that the fiscal impact will be significantly less.

**Chair Parks:**

Senator Roberson, is it correct that you will bring forward an amendment to S.B. 232?

**Senator Roberson:**

Yes, we will continue to work with SNWA and will find a compromise. One way or another, you will see an amendment to this bill.

**Chair Parks:**

We will close the hearing on S.B. 232 and open the hearing on S.B. 294.

**SENATE BILL 294**: Revises provisions governing constables. (BDR 20-902)

**Senator Michael Roberson (Senatorial District No. 20):**

Senate Bill 294 relates to constables. It provides that the sheriff serve as ex officio constable in certain cities in this State. It proposes abolishing the office of constable in certain cities and expiring the term of office of elected constables in such cities.

It is the duty of elected officials to do what is best for their constituents and to look continually at how we can best deliver services. As State officials, we need to look at how we can better assist counties in making needed changes to their operations to help them improve services.

Over the past year, Clark County has reviewed the Las Vegas Township Constable's Office to determine if the delivery of services was really working as intended or whether in light of alternative resources the Office is needed at all.

*Nevada Revised Statute* 258.010, subsection 3, paragraph (b) states:

In a county whose population is 700,000 or more, if the board of county commissioners determines that the office of constable is not necessary in one or more townships within the county, it may, by ordinance, abolish the office in those townships ... .

Additionally, it states: "For a township in which the office of constable has been abolished, the board of county commissioners may, by resolution, appoint the sheriff ex officio constable to serve without additional compensation."

*Nevada Revised Statute* 248.100 clearly states the sheriff has the legal authority to perform any function that the constable can perform.

Washoe County did this in 1999 by abolishing four of five constables, and statewide, other than Clark County, there are only three other constable offices.

The sheriff's office has the authority to perform all of these duties, assess the appropriate fees dictated by NRS and enter into agreements with private entities to perform certain duties.

Clark County officials have met with the Las Vegas Metropolitan Police Department (LVMPD), and the Sheriff has indicated that he could absorb the duties and perform the needed services.

Most of us who read the papers know the difficulties Clark County has had with the Las Vegas Township Constable's Office over the last couple of years. Just to give you a few highlights, there was: a well-publicized reality television pilot that did not show the Office in a positive light; a record of continually refusing directives from the Board of County Commissioners; countless instances of the Office refusing to follow county fiscal and administrative directives; the Office hiring attorneys as deputy constables to at least, in part, render legal advice; and multiple personnel lawsuits for wrongful terminations and harassments.

Clark County has already taken action. On March 19, the County Commission conducted a public hearing and unanimously approved an ordinance that abolished the Constable for the Las Vegas Township after finding that the functions of the Office could be performed by the Sheriff and/or a combination of other public and private resources. The abolishment of the Office would take place on January 4, 2015. The time period was not expedited because the County Commissioners were not sure they had the legal authority to do it sooner than at the end of the current officeholder's term. At the Legislature, there is not the same doubt about our ability to do that. Senate Bill 294 would abolish the Constable's Office by the start of the new fiscal year.

An amendment to this bill ([Exhibit I](#)) changes the effective date from passage of both Houses and signature by the Governor to July 1. After consultation with Clark County, I agreed to move the date to give more time for a transition period. A provision in the amendment allows the County Commission to reinstitute the Constable's Office later if the Commission deems it appropriate. I would not be submitting this legislation if it did not have the full support of the Clark County government. I see this as a public safety issue. The reckless behavior I have seen over the last few years causes me great concern, not just

for the reputation of Clark County, Las Vegas and Nevada, but also for the safety of citizens when there are some people from this Office in neighborhoods with badges and guns.

The typical citizen does not realize it is not the LVMPD or the Sheriff's Office. The Constable's Office is not needed. It is good public policy for this body to abolish this office effective July 1.

**Senator Hammond:**

You mentioned that if the Office is not needed, then you could abolish it. Do you know if this has happened elsewhere in the State? Have we abolished any of the other constable positions?

**Senator Roberson:**

Yes. In 1999, four of the five constable offices in Washoe County were abolished.

**Senator Hammond:**

It is not unprecedented.

**Chair Parks:**

Geographically, where in Washoe County is the one remaining Constable's Office? All constable's offices have to have some kind of a boundary. Do you know where that might be?

**Senator Roberson:**

I do not know where it is.

**Chair Parks:**

In your testimony, you indicated that the document we have for the proposed amendment is by Clark County. Is that the amendment to which you were referencing?

**Senator Roberson:**

Yes, it is.

**Chuck Callaway (Las Vegas Metropolitan Police Department):**

I am neutral on S.B. 294; however, to answer the previous question, Incline Village has the Constable left in operation in Washoe County. Based on

research, the Constable performs other duties outside the scope of his Constable duties. He provides transportation for Washoe County Sheriff's officers when they arrest people in Incline Village. He also performs bailiff duties in the courts. That is why his Office was not abolished when the others were.

**Chair Parks:**

Is there an Incline Village Township? To have a constable you normally have a justice of the peace. They share the boundaries of the township.

**Mr. Callaway:**

I am not sure about that.

**Senator Goicoechea:**

When I was a county commissioner, we abolished two constable positions, but we did it at the end of the term. Is that the big difference in this bill?

**Senator Roberson:**

Yes, Senator Goicoechea, that would be the difference. I see this as really supporting functional home rule in a way. It is clear that the Clark County government has decided that this Office should be abolished. They would like to see it abolished as soon as possible, and this bill allows that to happen.

I want to make clear that I do not intend to abolish any of the smaller township constables. This would occur only in a large metropolitan area in a county of at least 700,000 people. This bill is narrowly tailored to an urban area where a township constable is not necessary. It is very different from Henderson, Laughlin, Mesquite or Elko. Las Vegas is a big area with a big LVMPD. I have been assured the LVMPD can handle this. This is what the Clark County government would like to see.

**Chair Parks:**

The Las Vegas Township also includes Mount Charleston, Lee Canyon, Indian Springs and Blue Diamond.

**Senator Manendo:**

We have seen news reports of a kind of a battle over constables from other municipalities, such as Henderson, Good Springs or wherever, serving papers in Clark County. If this bill goes forward, nothing in it prevents other constables from coming in and doing the job. How will they determine who will get

a particular job if the LVMPD takes this over and someone from Henderson states that he or she is going to do it? Maybe we need to abolish all of them.

**Senator Roberson:**

No, that is not what I am suggesting. This bill does not change anything with constables' ability to cross jurisdictions to serve papers. However, whether it is between constables from other jurisdictions, the private sector and the Sheriff's Office, I am confident and Clark County is confident that we are going to have this service covered. All of our bases will be covered without a decline in service.

**Senator Manendo:**

The Henderson Constable would serve papers in Clark County.

**Senator Roberson:**

That is occurring now. I am not trying to change the status quo in this bill.

**Senator Hammond:**

It was mentioned that Indian Springs, Mount Charleston and a few other areas are in that township or at least under the jurisdiction of the Constable. The LVMPD has a very strong presence in Indian Springs and on Mount Charleston and is active in these communities.

**Chair Parks:**

The LVMPD has a great resident officer program.

**P. Michael Murphy (Clark County):**

Clark County supports S.B. 294. On March 19, the Clark County Board of Commissioners unanimously approved an ordinance that abolishes the constable for the Las Vegas Township at the end of his term in January 2015.

It was abolished after finding that the functions of the Office could be performed by the Sheriff and/or a combination of other public and private resources. According to the statute, the Sheriff is authorized to perform the same duties and charge the same or similar fees. The Sheriff said he is willing to assume those responsibilities.

The significant difference between what the Clark County Board of Commissioners did and what is proposed in S.B. 294 is the timing of the abolishment of the office. Clark County will defer to your decision.

**Chair Parks:**

Was the vote on March 19 unanimous?

**Mr. Murphy:**

Yes, it was unanimous.

**Jordan Ross (Constable, Laughlin Township):**

Constables in Clark County find themselves in an almost tragic situation. I do not envy this Committee or the rest of your colleagues in the Legislature in having to consider this legislation.

Senator Roberson did not introduce this bill lightly. We are in a situation in which a series of unfortunate events have driven the body civic as a whole to consider that we are now faced with extraordinary circumstances. As elected officials, we should not take removing another elected official lightly, particularly without the consent of the people through a recall or a general election.

We are reluctant to support the abolition of the Office of the Las Vegas Constable. However, we understand an amendment would offer the Clark County Board of Commissioners an escape clause to, if appropriate, recreate the Office. In addition, there needs to be an amendment to correct a technical error made by the Legislative Counsel Bureau in referring to city constables rather than township constables. However reluctant I am to see this happen, I have to fully support Senator Roberson's bill and urge your adoption.

There are 11 constables in Clark County. We regrettably find ourselves repeatedly tarred with the same brush. It is becoming more and more difficult to maintain legitimacy and validity. People see this happening repeatedly, and we have to answer questions about failures that are not occurring in our offices.

It has become more than just a public affairs issue. As Senator Roberson indicated, it has become a public safety issue. At some point, something disastrous may happen. I am very uncomfortable with the idea of abolishing the office. Yet at the same time, it is undeniable that the current incumbent

unfortunately does not understand the implications of his actions or words; his inability to interface with other department heads and other agencies; and most important, he does not understand the negative effect of his actions on his constituents.

We have made every attempt to negotiate an end to some of these problems to no avail. However reluctant I am about seeing an elective office abolished in midterm, I nonetheless, for a variety of reasons that I have laid out, have to urge support of this bill.

**Earl Mitchell (Constable, Henderson Township):**

I have been authorized to speak on behalf of Herb Brown, Constable of North Las Vegas Township.

Constable Ross has explained our position. With the amendment, we support this bill; however, there is another amendment to consider. Section 1, subsection 4 of S.B. 294 describes cities with populations over 500,000. We are township officers, not city officers. In my opinion, if that remains in this bill, it could potentially open up litigation. I would urge the Committee look at adding an amendment to change it to a township of 700,000. The bottom line is that it should be a township.

**Chair Parks:**

The proposed amendment from Clark County, [Exhibit I](#), addresses that issue in section 1, subsection 4. It says, "In a township whose population is 700,000 or more, in a county whose population is 700,000 or more, the sheriff serves as ex officio constable and serves without additional compensation."

**James Kimsey:**

I have already submitted my objections to S.B. 294 ([Exhibit J](#), [Exhibit K](#), [Exhibit L](#), [Exhibit M](#), [Exhibit N](#) and [Exhibit O](#)).

I would like to address a simple fact we are all missing. We keep referring to a finding that constable duties can be performed by others and the office is no longer necessary. At no time in the December 2012, February or March, Clark County Board of Commissioners' hearings or even today have we seen an actual report or any type of audit of the Constable's Office that has put dollars and cents to what can be done.

At the Commission hearing, I saw a 2012 audit of the Constable's Office, which said it was functioning normally. The only issue was a computer program provided by the County, which had to be fixed.

Tomorrow at the Commission meeting, Clark County Sheriff Douglas C. Gillespie is presenting a \$46.5 million shortfall in fiscal year 2013-2014 and notification that 119 commissioned officers will be laid off. That does not sound like the Sheriff will be able to take over the Constable's Office.

In fact, Sheriff Gillespie testified at the last Commission hearing that he could not perform the Constable's duties in the same manner and with the same efficiency. All constables are self-supporting. There is no way that someone can perform those same duties on the taxpayer dollars that all of these constables, including Las Vegas, perform without taxpayer dollars.

The Office has not been charged with malfeasance. It is running effectively and is making money for the County through its enterprise fund. Yet, we keep hearing repeatedly about somebody who did a reality show, or somebody does not like the Constable, or the Constable just rubs you the wrong way. That is up to the voters to decide. It should not be a legislative enactment on personality.

The statute provides for finding the necessity. No finding of the necessity or a single report of any type has been presented for public viewing that says this can be done as effectively or as efficiently as it is being done. No report says anything. We just find it that way and we do not like the man, so let us do it.

I want to point out one interesting thing. Both the ordinance and the bill want to get rid of John Bonaventura. Let the voters do it. Let us get rid of him, pass this bill and as soon as he is gone, we reestablish the Office anyway. That is what they are telling you. Let the voters decide.

If the office is running and you have a colorful character, let the voters decide on the colorful character. However, at this point, with everything that is happening, with lawsuits flying back and forth and all of the legal fees, I, as a taxpayer, have a problem with that. By the time we get through with all of this, the voters are going to decide anyway in 18 months. Why are we doing it now with a court challenge? Why are we doing it now at the Legislature? We have better things to do than waste our time today.

The County wants badly to get rid of this man, but they have not produced a single factual report or statement to back up that the Office is not necessary. All of these constables are necessary.

In Washoe County, the Legislature did not abolish any of those offices. Washoe County abolished the offices. This is the first attempt in legislative history to abolish an elected office while the incumbent is still in place. I would ask you to tread lightly on that because you will set a precedent with this bill.

**James Espinosa:**

I am opposed to S.B. 294. My parents only speak Spanish. We own over 50 units of apartments, duplexes, fourplexes and houses which we rent. We would like to know what happens to us if the Constable's Office abolishment occurs.

We live in the inner city of Las Vegas, and we like the Constable's Office. One of the reasons we rent is because if a tenant does not pay the rent money, we can quickly get rid of the tenant. Our main concern is abolishing the Las Vegas Township because it really affects us. I know the inner city, and people are not thinking about property owners in the inner city.

**Chair Parks:**

Sir, I would like to share with you that NRS has the specific provisions dealing with any evictions. Whether it is a constable or the Sheriff's civil bureau, however it is handled, the statutes enforced by the constables are the same statutes that a sheriff or a sheriff's civil bureau would enforce.

**Mr. Callaway:**

I am neutral on this bill. I understand the issues raised by Senator Roberson. We, too, have some concerns with public safety issues that have been occurring over the past year or so regarding the Constable's Office. However, it is not appropriate for us to support abolishing another law enforcement agency.

I would also like to clarify a few issues raised by Mr. Kimsey about LVMPD. We have not laid off anyone. We have lost 335 people through attrition, but the Sheriff has not laid off anyone. There is a budget hearing tomorrow at the County Commission; however, the Sheriff will not be there.

This bill will have an impact on our resources. The Sheriff has met with members of the County Commission to discuss the impact it would have, and the Sheriff has assured them that our agency will step up to the plate and take over applicable services. We understand that the Las Vegas Township Constable's Office does many evictions. Our Sheriff's civil bureau will have to handle those.

We are concerned about the time of implementation. July 1 is better for us than immediately upon passage and approval. The County Commission's abolishment of the Constable's Office gave us a 2-year period. Keep in mind that we will have to open up an application process for hiring, do background checks, testing and hiring procedures, and then train the people hired to enable them to perform the job of a sheriff's civil deputy. There is also the potential that we would have to outsource to a private company for some of the less risky services that take place.

**Senator Manendo:**

When you absorb this, especially if the other part of the sales tax does not go through, what areas would be lost to put those people into place to perform the Constable's duties?

**Mr. Callaway:**

In the discussions we have had, we would have to hire at least 15 additional deputies to perform the civil processes. According to the NRS, the Constable's Office is allowed to make money off the process. The Sheriff's Office would not be allowed to make money, but we would recoup our costs to break even. We would bring in some revenue from the service processes, which could potentially pay for those positions. The County could make some revenue off the process as they do under the Constable's Office.

We would not be taking officers from answering 911 calls and putting them out as civil deputies to do evictions. We would hire new individuals to do that and pay for them through the revenue received from the processes.

**Senator Manendo:**

The only difference is the elected Constable would not run the Office. It would be under the Sheriff, and everything else would be the same. Is that correct?

**Mr. Callaway:**

Yes, the office would be run by the Sheriff and LVMPD personnel. Either civilians or commissioned individuals would perform the duties as Sheriff's civil deputies and would serve the writs, garnishments and evictions that the constables do now.

**Senator Manendo:**

How long would it take to train those 15 people to function and perform those duties?

**Mr. Callaway:**

Becoming a full-fledged police officer takes a total of 1 year to hire and to complete the academy and field training. A Sheriff's civil deputy would involve training. I am guessing it would take 6 to 8 months to go through the entire hiring process, background checks, testing, academy training and on-the-job training to have someone fully functional. He or she would also have to have a Peace Officers Standards and Training certification.

**Senator Manendo:**

If this bill were to pass next month and be signed into law, 8 months after that we would be pretty close to the expiration of the term of the Constable. Are we saving 3 or 4 months to get people trained?

**Mr. Callaway:**

It is my understanding that the current Constable has 2 years left in his term. That is why the County Commissioners placed the 2-year period in their ordinance.

**Mr. Murphy:**

After speaking with officials in Clark County, it is our goal to keep this revenue-neutral. Fees would be collected. Whether those fees go to the County or directly to the Sheriff, the goal is to keep it revenue-neutral. It is not costing the Sheriff money, but it is not a moneymaker for anyone either.

**Senator Roberson:**

Obviously, there are details to work out. We do not want a gap in service. Even if we push it back a few months, it is much better to do this legislatively than to wait until January 2015, which is when the County Commission's action will take effect. It is a long time between now and then.

Maybe we can put a stop to some of the potential litigation spoken about regarding Clark County's action by taking action as a legislative body.

**Chair Parks:**

We will close the hearing on S.B. 294 and open the hearing on S.B. 376.

**SENATE BILL 376**: Proposes to revise provisions relating to the preservation and promotion of the arts and museums in this State. (BDR 18-625)

**Senator Tick Segerblom (Senatorial District No. 3):**

Senate Bill 376 is a tribute to my mother, the late Assemblywoman Gene Segerblom. When she was first elected in the early 1990s, one of the best bills she sponsored was A.B. No. 80 of the 68th Session, which raised money for the restoration of historic properties in Nevada ([Exhibit P](#)). It created a fund, which provided \$40 million in construction funds for 10 years. Many sites around the State were given funds for historic preservation. There was an estimated \$103 million indirect impact on the State's economy.

It was a very successful project, which helped restore and maintain many historic structures in the State and was important for our history. In this bill, I am seeking to take that concept and change it a little. It would have to go to a vote of the people. If the voters approve, bonds up to \$100 million would be issued to spend at \$10 million per year for 10 years. That money would go to the arts and museums.

Many small museums in southern Nevada are hanging on by their fingernails. They are fantastic repositories of the history of Nevada. They are great for kids and families, and if we promote them correctly, they will be good for tourism. Many times people come to southern Nevada for conventions but spouses do not attend the convention. They go to museums, such as The Mob Museum, the Nevada State Museum and the Springs Preserve.

We have a slide presentation, [Exhibit P](#), featuring some of the small museums around the State which would benefit from S.B. 376: Slide 4 is the Nevada Northern Railway Museum; Slide 5 is the Genoa Courthouse Museum; Slide 6 is the Lost City Museum; Slide 7 is the Northeastern Nevada Museum; Slide 8 is the National Atomic Testing Museum; Slide 9 is The Mob Museum; Slide 10 is The Neon Museum; and Slide 11 is the Clark County Heritage Museum.

This money would go to the small museums in the State, allowing them to purchase needed items, to restore things or just to operate. However, hypothetically, if you had \$10 million, you could give \$100,000 to 100 different institutions for arts or museums. It would be a great benefit to the arts and museums in Nevada. They have really been under the gun the past couple of years because funding sources have dried up. State Museum employees are on 3-day workweeks. It has been a disaster for them.

I wondered about what would honor my mother and decided this would be the best thing I could do. I am asking you to help me honor my mother. It is a simple concept.

I have also spoken with the Governor's Office, and the staff has some ideas about how this could be modified. It would be fantastic if we could get the Governor's Office on board with this idea.

**Chair Parks:**

We are talking about issuing general obligation bonds. Is there a funding mechanism in this bill to pay to retire those bonds?

**Senator Segerblom:**

I am not sure if that is in the bill. If the voters approve it, then we, the Legislature, have to determine how to pay for the bonds.

**Chair Parks:**

Have you looked at the bonding capacity of the State to determine the remaining capacity?

**Senator Segerblom:**

No, I have not done that. However, I am anticipating that would be in the future. I do not believe that we cannot figure out a way to bond \$10 million.

**Robert A. Ostrovsky (Chair, Commission for Cultural Affairs):**

The Commission for Cultural Affairs is tasked by this bill to distribute the funds. The Commission has a bonding capacity of \$3 million per year. Unfortunately, those bonds have not been funded for the last two Legislative Sessions.

Senator Segerblom is correct. We have given out almost \$40 million in funding to various preservation projects throughout the State. We just held a meeting of

the Commission to ask people in the community to bring forward some of their more urgent funding requirements. We ended up with a long list of \$7 million or \$8 million in funding requirements. We whittled that down to what we thought were the most important funding needs in the State. Those were preserving historic facilities that we would lose—maybe forever—if we do not do something. Many of the preservation funds were used to replace roofs and stabilize foundations. Many fine facilities throughout the State are in major need of funding.

We focus on preserving buildings. This bill would expand that responsibility to other kinds of cultural features including the arts. The Commission is made up of the Chair and a member who are appointed by the Governor from the Board of Museums and History; the Chair from Nevada Humanities Board of Trustees; a member representing the libraries; the Chair of the Nevada Arts Council; and one public member appointed by the Governor. The Commission works without funding, and the members are not paid. However, a few years ago, we obtained funding for travel costs. Prior to that, everyone volunteered to pay those expenses.

If you decide to process this bill, it is important to develop language that would fund the Commission for staff. We have no staff. We work with the Office of Historic Preservation for staff support. We are ready, willing and able to administer a program like this. It would be a great thing for the State, and we understand the existing limitations.

A couple of details have to be worked out if you choose to do this. If you determine this is the correct policy, the funding mechanism of how the State would obligate itself to those bonds might be better answered by the Senate Committee on Finance. That would help not only with determining how to pay for the bonds, but it would give us a little more time because the bill would be exempt.

From a policy perspective, there is an alternative other than the Commission of which you may not be aware. The Nevada Cultural Account established in NRS 233C.095 in 2001 has never been funded. It was intended to fund arts and cultural events statewide and has administrative funding mechanisms. It has to be administered through the Nevada Arts Council. However, that would not stop the Council from distributing the fund fairly to wherever you directed it.

I appreciate Senator Segerblom's continuing effort to save the history of Nevada for those who have lived here for a long time and for those who have just come here and have fallen in love with Nevada. We have many great things for people to do and see besides the Las Vegas Strip, and we should be encouraging cultural tourism, which could happen under S.B. 376.

**Chair Parks:**

I came to town 45 years ago, and one of the first places I visited was Rhyolite. There was quite a bit of the town still left, but today it is almost nonexistent. It had a great history, and what took place there was amazing.

**Senator Spearman:**

What did other states do that found themselves in similar circumstances?

**Mr. Ostrovsky:**

I am not familiar with other states, but the Commission for Cultural Affairs created here is unique, and we should be proud of it. It has spent a lot of money on many important projects throughout the State. I have not seen anything quite like it. We have a good model. There is federal funding to be had if you know how to get it. We have chased after money from the National Park Service, from National Endowment for the Arts and from Save America's Treasures. I also sit on the Board of Museums and History, and we, too, are constantly looking for funding sources to use with matching State dollars.

It is all about whether we want to make a priority of saving the history of Nevada, educating our children about how Nevada got to be and why it is what it is today.

**Senator Segerblom:**

Many states defer to the counties. This is a big state, and we have many wonderful things in Clark County. Clark County has 75 percent of the population and many great museums. Many good things in Nevada have no funding source or ability to obtain funds. I would like a statewide approach.

This will go to the voters, and if the voters do not think it is a priority, then it is dead in the water. However, Nevada voters are far ahead of the politicians in realizing Nevada is a state they want to protect, preserve and enhance. They like the arts. People would support many things going on culturally, and we

have been behind the curve on that. We have let the budget crisis and the fear of raising taxes gut our State, and I do not want that to continue.

**Senator Spearman:**

Can we look at another wheel that would help us move this down the road in terms of best practices? I am looking for ways that another state might have already done this, such as government grants that we can leverage, or somebody in another state might have gotten grants, or whether there are private foundations. We might be able to appropriate another state's method for Nevada.

**Senator Segerblom:**

Staff members in the Governor's Office have many ideas on that. They also have a cultural fund designed to be a public/private partnership, which would maximize grants.

**Mr. Ostrovsky:**

Many of the grants from the federal government are matching grants. We have had struggles with that. We have left enormous amounts of money on the table because we cannot raise \$1 million to get the \$1 million match.

Proposals for funding are submitted during public hearings at the Commission for Cultural Affairs. We work to openly identify the needs and spread the money around the best we can. However, we have not been able to get grant money because we cannot match the funds. We maximize our dollars that way, but we just run out of funds.

**Claudia Vecchio (Director, Department of Tourism and Cultural Affairs):**

We are in favor of the concept of supporting our arts and cultural facilities. We are encouraged by any movement forward to support the arts, museums and the extraordinary assets Nevada has to offer. We need to vet this with people from whom we need approval before we move forward. However, we support any effort to enhance funding and opportunities of these organizations across the State.

We are always striving for best practices. In light of that, we can look at what other states do for tourism, for the arts and for museums. We have not looked specifically at bonding in all cases. We have looked at grants. A number of states, including Oregon and Arizona, do really smart granting kinds of programs

and smart cultural programs, but none like this. In this environment, we would have to look at how other states match up and how they approach this sort of thing. We can talk to our counterparts in other states on this and gauge the results.

**Senator Spearman:**

Having worked with many nonprofits and started some myself, one of the things we look for is opportunities for collaboration of capacity building. There may not be an exact model that we can replicate, but if we look at some of those things, perhaps we can pull together a hybrid approach to this.

From the capacity-building standpoint, a small business might be starting up with some type of linkage or peripheral connection to what we want to do regarding the arts and culture in Nevada. We might collaborate with that small business if it obtains a grant. Part of that grant would apply to our effort.

There may be some hybrid approaches we might look at or construct in order to get to where we need to be so we do not have to leave money on the table anymore.

**Ms. Vecchio:**

As a standard operating practice, finding those hybrids and innovative ways to support and promote our cultural assets is what we do every day. This bill is a new model and somewhat different in providing a funding source. We spoke about the models already in place that do what you are saying. We need to determine how we can work together as an industry for everyone's success. When one succeeds, we all succeed.

**Mr. Murphy:**

We support S.B. 376.

**Bobbie Ann Howell (Nevada Humanities):**

We hope that you will consider any funding that can go forward to strengthening our organizations. We see the need statewide for help with infrastructure in the arts, culture and history of Nevada.

We need more; we would love to have more; we would love to serve more—and we would like your help.

**Art Wolf (Wolf Consulting):**

This is a great bill, but it needs a lot of tinkering. Many of the things that need to be worked on have already been mentioned. This differs from past proposals in that there is a requirement for responsible, sustainable activity on the part of the grant recipients. Some of the money that went to rural areas did not go to organizations that could afford to be in the business of taking care of what they repaired. Senate Bill 376 requires that.

I am concerned about having a 10-year action plan with no process for anyone outside of the Commission to get a project on that list of important projects. It does not say how that happens.

There are great models around the Country. I work with museums all over, and I see good things. The City of Denver, the City of Albuquerque, the state of Florida and other places have taken sales tax money, general obligation bonds and direct state appropriations for competitive peer-reviewed grants to institutions that can spend the money wisely and serve their communities well. I can provide the Web links to those programs.

It is expensive to promote and defend a bond issue. In many places where that happens for museums, a private foundation works on the museum's behalf to spend the money on advertising, writes the proposal statements, rebuts the negative statements and carries the ballot with the people. I do not see a mechanism for that here, but it is something to think about.

I have worked in museums my whole life. Senator Segerblom's intent is marvelous and appropriate, and it should be moved ahead after a few more considerations are made.

**Allan Palmer (Executive Director/CEO, National Atomic Testing Museum):**

The National Atomic Testing Museum is the thirty-seventh and newest of the national museums. These are museums created by Congress and enacted into public law by signature of the President of the United States. We are the only national museum in Nevada and one of only five in the Country that are privately held.

Being involved in museums for 22 years, I have found one of the most vexing problems for a museum director is to survive economically. It is difficult, but it is one of the things we have to do in our State in order to tell an important story.

In this case, my museum contains a big piece of the Cold War story and winning peace through today. We do that very proudly as a State museum, but we also now wear the mantel of a national museum.

I had the pleasure of serving in California as the director of the San Diego Air and Space Museum. We had a similar problem there with funding. We solved it by funding capital construction through general obligation bonds. We did that with both private and state museums. For the private museums in Balboa Park in San Diego, we received a very small percentage of the tourist occupancy tax, the hotel room tax. It was recognized that museums and cultural activities were key to bringing tourists to the San Diego area.

This is what we experience in Las Vegas. We do a great job with drawing people here. I am glad to see that we are doing this through a Senate bill to recognize the contributions of museums but also to involve tourism.

One of the concerns I have is with the structure of the bill. While the Commission has good representation from State entities, I would like to see nonprofits included as well. There is a provision for the Governor to appoint a private citizen to the Commission with some knowledge of tourism. However, if you are talking about the arts and museums, some talent is needed from the arts business and the museum business to be part of the nonprofit sector.

**Patty Dominguez (Metro Arts Council of Southern Nevada):**

Brian McAnallen, Las Vegas Metro Chamber of Commerce, authorized me to speak on his behalf because he is a board member of the Metro Arts Council of Southern Nevada.

I have submitted written testimony in support of S.B. 376 ([Exhibit Q](#)).

**Danielle Kelly (Executive Director, The Neon Museum):**

On behalf of The Neon Museum, I am speaking in favor of S.B. 376. I would like to use The Neon Museum as a specific example of how support from the Legislature, through the Commission for Cultural Affairs and the Office of Historic Preservation, was profoundly significant to the success of a preservation organization and positively impacted education, cultural tourism and the local economy.

I have submitted written testimony ([Exhibit R](#)). We hope that other organizations throughout the State can benefit from such support in the future.

**Lynnette Sawyer (Executive Director, Hispanic Museum of Nevada):**

For over 20 years, the Hispanic Museum of Nevada has been dedicated to developing artistic resources and education to enhance intercultural awareness and understanding of contributions made by diverse Hispanic cultures.

In 2011, the Census Bureau reported the population of Latinos in Clark County at 29.7 percent, 27.1 percent in Nevada. These are significant numbers. We support the proposition to revive provisions related to the preservation and promotion of the arts and museums in this State, to increase the duties of the Commission for Cultural Affairs, and to create the fund for the preservation and promotion of the arts and museums in Nevada.

As a former educator, I am aware of the educational situation in our State. Even though we have that situation, the fact remains that Nevada is one of the top tourist destinations.

Museums are invaluable to the education of our schoolchildren and communities. They offer an experience unparalleled to the classroom by expanding our world and community vision and knowledge of subjects that cannot be covered in our already fragmented school day. Promoting and supporting the arts is a fiscally, educationally and community-minded good choice.

The Hispanic Museum of Nevada and all of our collaborators wish to thank you for your past support and acknowledgement of this need. It is imperative that museums and the arts are given the support they deserve to help them strive and continue to grow Nevada as a diversified, artistic community.

**Senator Segerblom:**

As you can see, the bill is a work in progress. I apologize for not having fleshed it out better. The basic concept is valuable.

**Mr. Palmer:**

I am speaking as the new cochair of the Las Vegas Museum Alliance, a new, loosely formed group of all of the museums in southern Nevada. We have a new brochure that highlights all of the museums in Las Vegas. It is designed not only

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to attract tourists but also to show the impact of how museums function in our community. I will be happy to forward one to you.

**Chair Parks:**

This bill must get out of this Committee and be exempted before the deadline in order to send it the Senate Committee on Finance. We will be following up with you, Senator Segerblom, on the amended bill.

**Senator Segerblom:**

I will be working with the Governor.

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**Chair Parks:**

I have received a letter from the Pyramid Lake Paiute Tribe supporting S.B. 376 ([Exhibit S](#)).

We will close the hearing on S.B. 376. Having no further business to come before the Senate Committee on Government Affairs, we are adjourned at 5:19 p.m.

RESPECTFULLY SUBMITTED:

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Suzanne Efford,  
Committee Secretary

APPROVED BY:

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Senator David R. Parks, Chair

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

<b><u>EXHIBITS</u></b>				
<b>Bill</b>	<b>Exhibit</b>		<b>Witness / Agency</b>	<b>Description</b>
	A	1		Agenda
	B	13		Attendance Roster
S.B. 225	C	21	Brenlon	Blue Weimaraner Presentation
S.B. 225	D	2	K. Neena Laxalt	Proposed Amendment
S.B. 232	E	1	Virgin Valley Water District	Conceptual Amendment to SB 232
S.B. 232	F	3	Pat Mulroy	SNWA Infrastructure Surcharge and Outreach Efforts
S.B. 232	G	3	Pat Mulroy	SNWA Rates Process
S.B. 232	H	7	Kendra Follett	Sherman & Howard L.L.C. letter
S.B. 294	I	4	Chair Parks	Proposed Amendment by Clark County
S.B. 294	J	3	James Kimsey	Letter to Senator Mark Manendo from Brenda Erdoes
S.B. 294	K	4	James Kimsey	Letter to Senator John Lee from Brenda Erdoes
S.B. 294	L	1	James Kimsey	Email to Government Affairs Committee
S.B. 294	M	5	James Kimsey	Constable Boundary Case
S.B. 294	N	23	James Kimsey	Supplemental Brief
S.B. 294	O	15	James Kimsey	Nevada Supreme Court Decision
S.B. 376	P	12	Senator Tick Segerblom	Presentation
S.B. 376	Q	1	Patty Dominguez	Written Testimony
S.B. 376	R	2	Danielle Kelly	Written Testimony
S.B. 376	S	1	Chair Parks	Letter from Pyramid Lake Paiute Tribe