

**LOCAL GOVERNMENT  
FISCAL NOTE**

AGENCY'S ESTIMATES

Date Prepared: March 29, 2015

Agency Submitting: Local Government

<b>Items of Revenue or Expense, or Both</b>	<b>Fiscal Year 2014-15</b>	<b>Fiscal Year 2015-16</b>	<b>Fiscal Year 2016-17</b>	<b>Effect on Future Biennia</b>
Total	0	0	0	0

Explanation

(Use Additional Sheets of Attachments, if required)

See attached.

Name Michael Nakamoto

Title Deputy Fiscal Analyst

The following responses from local governments were compiled by the Fiscal Analysis Division. The Fiscal Analysis Division can neither verify nor comment on the figures provided by the individual local governments.

Local Government Responses  
**A.B. 345 / BDR 27 - 398**

City/County: <b>Carson City</b> Approved by: Nickolas A. Providenti, Finance Director Comment: No major fiscal impact to Carson City.				
<b>Impact</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>Future Biennia</b>
No Impact	\$0	\$0	\$0	\$0

City/County: <b>Churchill County</b> Approved by: Eleanor Lockwood, County Manager Comment: BDR 27-398 provides for alternative surety bonds to protect an award, performance of contract, or for payment of third parties under contract. It does not appear this legislation would have a material impact on Churchill County, as the other forms of security should satisfy the outstanding obligations.				
<b>Impact</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>Future Biennia</b>
No Impact	\$0	\$0	\$0	\$0

City/County: <b>Clark County</b> Approved by: David Dobrzynski, Assistant Director of Finance Comment: Because the bill is written to allow the government entities doing the contracting to determine what alternative securities are acceptable. No fiscal impact anticipated.				
<b>Impact</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>Future Biennia</b>
No Impact	\$0	\$0	\$0	\$0

City/County: <b>Humboldt County</b> Approved by: Sondra Schmidt, Comptroller Comment: No Impact				
<b>Impact</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>Future Biennia</b>
No Impact	\$0	\$0	\$0	\$0

City/County: **Washoe County**

Approved by: Liane Lee, Government Affairs Manager

Comment: The flexibility that this bill affords is welcomed inasmuch as it authorizes various forms of surety/security. However, making local government obligated to accept the form of surety/security tendered, so long as adequate amount and nature, has many unintended consequences and unacceptable risk shifting.

Local government should have greater flexibility to accept alternative forms of security, but at its discretion and with reasonable, consistently applied processing rules. Further, forcing local government to accept tender of whatever form of security (so long as adequate amount and nature) shifts the burden of risk and analysis to government, which does not have the banking/insurance/asset qualification business. The cost to local government of serving that expanded role will be significant in staff time not to mention losses sustained if the tendered security fails.

<b>Impact</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>Future Biennia</b>
Has Impact	\$0	\$0	\$0	\$0

City/County: **White Pine County**

Approved by: Elizabeth Frances, Finance Director

Comment: By widening that which is acceptable as performance security from contractors, the County may have to take more steps to obtain that security if a contractor fails to perform. It also makes it less consistent between potential contractors. Although there will be impact to the County, exactly what that will be cannot be determined.

<b>Impact</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>Future Biennia</b>
Cannot Be Determined	\$0	\$0	\$0	\$0

City/County: **City of Henderson**

Approved by: Mike Cathcart, Business Operations Manager

Comment: The fiscal impact of this legislation cannot be determined at this time. Individual sureties may be less reliable and less liquid than typical surety bonds. Therefore the City may have difficulty in collection if an issue were to arise.

<b>Impact</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>Future Biennia</b>
Cannot Be Determined	\$0	\$0	\$0	\$0

City/County: **City of Las Vegas**

Approved by: Michelle Thackston, Administrative Secretary

Comment: If this bill should pass there would be a fiscal impact to the City of Las Vegas. Additional resources will be required to closeout projects as there is less incentive for Contractors to provide as-built drawings, owner-manuals, etc. There are numerous increased fiscal costs to the City with this Bill. The direct cost associated with passage of this bill include a Quality Assurance Administrator to spend 20 hours a month supporting Public Works in enforcing the contract terms, and an additional 40 hours per year working with the Purchasing Manager and CAO to document non-compliance and potentially disallow contractor to bid on future projects.  $200 \text{ hours} \times \$65/\text{hr} = \$13,000$ . Should the number of contractors failing to comply with contract requirement increase dramatically, a second QAA could be required at an annual cost of \$150,000. In addition, the City could also become liable for prevailing wage claims which could result in tens of thousands of dollars owed to employees which are a responsibility of General Contractor and Subcontractors, but may not be payable if the collateral is insufficient.

This financial impact of this Bill has many additional facets. Additional staff and potentially third-part assessors would be needed to determine the value of collateral offered, additional legal support would be necessary to ensure the City has first right to any collateral offered, resources would be necessary to collect and/or divest collateral collected, additional costs incurred by the City to cover the default costs above and beyond the value of the collateral would be a direct cost to the City. For example, in the past few years we have had several contractors declare bankruptcy while working on City projects. In one case the a project was about 60% complete and Surety had to complete the project as the Bond offeror. In addition to saving the City the additional cost and time to that we would incur under the tenants of this bill, the surety also paid nea

<b>Impact</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>Future Biennia</b>
Has Impact	\$0	\$0	\$0	\$0

City/County: **City of Reno**

Approved by: Kate Thomas, Assistant City Manager

Comment: The fiscal impact as a result of this legislation is driven by the need for additional staff and/or third-party assessors who would determine the value of the various additional collateral offered. Increased legal support would be necessary to ensure the City has first right to any collateral offered and resources would be necessary to collect and/or divest collateral collected. Lastly, additional costs incurred by the City to cover the default costs above and beyond the value of the collateral would be a direct cost to the City. The estimate provided is for personnel costs as a result of the legislation.

<b>Impact</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>Future Biennia</b>
Has Impact	\$0	\$100,000	\$100,000	\$100,000

City/County: <b>City of Sparks</b> Approved by: Jeff Cronk, Financial Services Director Comment: No Impact				
<b>Impact</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>Future Biennia</b>
No Impact	\$0	\$0	\$0	\$0

School District: <b>Carson City School District</b> Approved by: Andrew J Feuling, Director of Fiscal Services Comment: No Impact				
<b>Impact</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>Future Biennia</b>
No Impact	\$0	\$0	\$0	\$0

School District: <b>Clark County School District</b> Approved by: Nikki Thorn, Deputy CFO Comment: This bill is bad for all local governments. Surety companies conduct a very thorough vetting of the financial well-being and capacity of those applying for bonds, which in turn reduces the risk to the public agencies. Collecting on bonds isn't easy and trying to collect on the collateral/assets proposed poses even more hardships. The financial responsibility/ability bar is raised when a contractor has a surety program with specified single project and aggregate bonding credit limits. This proposal will allow for less-than scrupulous individual sureties gaming the system and offering the same asset for multiple projects/contracts. During the great Recession, many individual or corporate "guarantors" of loans (the equivalent of a surety for a bond), never paid the moneys due. They went bankrupt, or had lost the money, or their collateral was worthless or underwater. It was impossible to even collect the collateral in some cases because it was seized by other parties. Additionally, this proposal imposes extra due diligence requirements on the existing process to check out these proposed individual sureties while the existing system has the vetting process already incorporated. This extra effort is not time and energy well spent for public bodies since the current system works well. There is impact here; however, CCSD cannot accurately determine how much impact.				
<b>Impact</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>Future Biennia</b>
Has Impact	\$0	\$0	\$0	\$0

School District: <b>Douglas County School District</b> Approved by: HOLLY LUNA, CFO, BUSINESS SERVICES Comment: I can appreciate the direction of the bill if I am correct in interpreting the intention. My concern currently even with bonds is the tremendous amount of time and difficult constraints on owner in getting cooperation from both the surety company and the contractor in default. I would be able to support the BDR if the collateral was revised to curtail the alternatives to cash, cashier's check or irrevocable letter of credit.				
<b>Impact</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>Future Biennia</b>
Has Impact	\$0	\$0	\$0	\$0

School District: <b>Lincoln County School District</b> Approved by: Steve Hansen, Superintendent Comment: No fiscal impact. The cost is to the individual.				
<b>Impact</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>Future Biennia</b>
No Impact	\$0	\$0	\$0	\$0

School District: <b>Lyon County School District</b> Approved by: Philip Cowee, Director of Finance Comment: No Impact				
<b>Impact</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>Future Biennia</b>
No Impact	\$0	\$0	\$0	\$0

School District: <b>Nye County School District</b> Approved by: Kerry Paniagua, Executive Secretary Comment: This may increase costs to bidders who will simply pass along increased costs to the school district.				
<b>Impact</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>Future Biennia</b>
Has Impact	\$0	\$0	\$0	\$0

School District: <b>Pershing County School District</b> Approved by: Dan Fox, Superintendent Comment: The district does not maintain such records to formulate an estimate.				
<b>Impact</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>Future Biennia</b>
Cannot Be Determined	\$0	\$0	\$0	\$0

School District: <b>Storey County School District</b> Approved by: Robert Slaby , Superintendent Comment: No Impact				
<b>Impact</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>Future Biennia</b>
No Impact	\$0	\$0	\$0	\$0

School District: <b>Washoe County School District</b> Approved by: Lindsay E. Anderson, Director of Government Affairs Comment: Washoe County School District cannot determine the number or frequency of case in which alternative forms of collateral would be pledged or how difficult it would be to collect that if necessary.				
<b>Impact</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>Future Biennia</b>
Cannot Be Determined	\$0	\$0	\$0	\$0

School District: <b>White Pine County School District</b> Approved by: Paul Johnson, CFO Comment: No Impact				
<b>Impact</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>Future Biennia</b>
No Impact	\$0	\$0	\$0	\$0

**The following cities, counties and school districts did not provide a response:** Douglas County, Elko County, Esmeralda County, Eureka County, Lander County, Lincoln County, Lyon County, Mineral County, Pershing County, Nye County, Storey County, Boulder City, City of Elko, City of Mesquite, City of North Las Vegas, Churchill County School District, Elko County School District, Esmeralda County School District, Eureka County School District, Humboldt County School District, Lander County School District, and Mineral County School District.