

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

**Seventy-Eighth Session
May 5, 2015**

The Committee on Government Affairs was called to order by Chairman John Ellison at 8:35 a.m. on Tuesday, May 5, 2015, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website: www.leg.state.nv.us/App/NELIS/REL/78th2015. In addition, copies of the audio or video of the meeting may be purchased, for personal use only, through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblyman John Ellison, Chairman
Assemblyman John Moore, Vice Chairman
Assemblyman Richard Carrillo
Assemblywoman Victoria A. Dooling
Assemblyman Edgar Flores
Assemblywoman Amber Joiner
Assemblyman Harvey J. Munford
Assemblywoman Dina Neal
Assemblywoman Shelly M. Shelton
Assemblyman Stephen H. Silberkraus
Assemblywoman Ellen B. Spiegel
Assemblyman Lynn D. Stewart
Assemblyman Jim Wheeler
Assemblywoman Melissa Woodbury

COMMITTEE MEMBERS ABSENT:

None



GUEST LEGISLATORS PRESENT:

Senator Ben Kieckhefer, Senate District No. 16

STAFF MEMBERS PRESENT:

Jered McDonald, Committee Policy Analyst
Eileen O'Grady, Committee Counsel
Erin Barlow, Committee Secretary
Cheryl Williams, Committee Assistant

OTHERS PRESENT:

Greg Ferraro, representing Nevada Resort Association
Michael Alonso, representing Caesars Entertainment; and Peppermill Casinos, Incorporated
Tim Tretton, Vice President and General Manager, Harrah's Reno
Stephen Ascuaga, Corporate Director of Business Development, Peppermill Casinos, Incorporated
Patricia Lee Halavais, Private Citizen, Reno, Nevada
Mike Draper, representing Grand Sierra Resort and Casino, Reno, Nevada
Steve Wolstenholme, President and Chief Operating Officer, Grand Sierra Resort and Casino, Reno, Nevada
Josh Griffin, representing MGM Resorts International
Tony Mavrides, Vice President and General Manager, Circus Circus Reno, Nevada
Nikki Gross, General Manager, Whitney Peak Hotel, Reno, Nevada
Glenn Carano, General Manager, Silver Legacy Resort and Casino; and Eldorado Resort and Casino, Reno, Nevada
John P. Sande, IV, representing Grand Sierra Resort and Casino, Reno, Nevada; and the Nugget Casino Resort, Sparks, Nevada
Brian Kulpin, Vice President of Marketing and Public Affairs, Reno-Tahoe International Airport
Samuel P. McMullen, representing Reno-Sparks Convention and Visitors Authority
Joe Kelly, Vice President of Facilities, Reno-Sparks Convention and Visitors Authority
Lisa Gianoli, representing Washoe County
Scott F. Gilles, Esq., Legislative Relations Program Manager, Office of the City Manager, City of Reno
Adam Mayberry, Community Relations Manager, City of Sparks
Linda Barnett, Director of Sales, Baymont Inn and Suites, Reno, Nevada

Andy Chapman, Executive Director and Chief Executive Officer,
Incline Village Crystal Bay Visitors Bureau
Kelly Frerking, General Manager, Staybridge Suites-Reno, Nevada
Steven T. Polikalas, representing Tessera Tourism Improvement District

Chairman Ellison:

[Roll was called. Committee rules and protocol were explained.] We have Senate Bill 312 (1st Reprint) today. Senator Kieckhefer will present the bill.

**Senate Bill 312 (1st Reprint): Revises provisions relating to certain taxes.
(BDR 21-834)**

Senator Ben Kieckhefer, Senate District No. 16:

After a lot of work, we are here to present you with what we believe to be a consensus bill with a conceptual amendment ([Exhibit C](#)) that I will talk about as we go through the bill. It has brought all the interested parties back together in a way designed to significantly improve the tourism and destination marketing program for northern Nevada.

I am here to present Senate Bill 312 (1st Reprint). This is a process that started back in 2011 during my first legislative session, when many of the hotel casinos in downtown Reno came to the Legislature and asked to impose upon themselves a \$2 per night surcharge to help finance the capital expenditure needs of the Reno-Sparks Convention and Visitors Authority (RSCVA) properties located in downtown Reno and the Livestock Events Center. Those include the National Bowling Stadium, Reno Ballroom, Reno Events Center, and the Livestock Events Center. That has proved itself very worthwhile as a revenue stream to ensure the maintenance and capital construction needs of those facilities. This legislation is a follow-up and continuation of that successful program to expand a per-night surcharge to both nongaming hotels, properties throughout the Truckee Meadows, and other gaming properties outside of that downtown core that currently have the \$2 surcharge imposed upon them.

The result of the legislation with the conceptual amendment is that all of the unrestricted gaming hotels in downtown Reno that currently have the \$2 surcharge will see an increase of \$1, bringing them to a \$3 per night surcharge on their guests. Every other hotel in the county, both gaming and nongaming, will have a \$2 per night surcharge imposed upon them. This excludes motels. I want to make that clear. This is not a charge that will be applied to motels. I was concerned about the impact it might have on low-income folks who are living in motels in Reno. That was a nonstarter for me, and motels have never been included in this legislation.

I will quickly go through the bill with you and point out where we would like to make the conceptual amendments. I will be reading from S.B. 312 (R1). Section 1.3 would impose the \$2 surcharge on nongaming properties in the existing downtown district. On line 4, there is a reference to the *Nevada Revised Statutes* (NRS) 268.798. That is the language that we created in 2011 that created the downtown district for gaming properties. Those properties in that downtown district already have \$2 imposed upon them. This would generate that same \$2 on nongaming hotels within the district, of which there are a few. Section 1.5 is an area that is going to need an amendment under the new compromise. This would impose a \$1 surcharge that we want to ensure is only imposed on the unrestricted gaming properties. Line 42 will need an amendment to read something to the effect of "impose a surcharge of \$1 on the per night charge for the rental of a room in a hotel that holds a nonrestrictive gaming license." That would bring the surcharge on gaming properties in the downtown district to \$3. It would be \$2 on the nongaming hotels downtown.

Section 4 creates the additional surcharge on hotels outside of that downtown district. This section also needs an amendment on line 7. Currently, the bill indicates a \$3 surcharge on the per night rental of a room. That needs to be amended to \$2 under the new compromise. That would bring all hotels, both gaming and nongaming that are outside of the downtown district, to a \$2 per night surcharge. All of the additional revenue generated by these surcharges—the additional \$1 on gaming properties downtown and the additional \$2 on all hotels—would be expended under the parameters outlined in section 4.5 of the bill. In Washoe County, all of the funds would be transferred to the RSCVA. Starting on line 36 on page 7, the bill says that they "must be used to implement a strategic plan for the promotion of tourism in the region." Section 4.5 goes on to outline the various purposes that may be included in that strategic plan. It includes the necessary air service development and marketing, advertising, promotion of tourism, and necessary capital expenditures.

It also specifically excludes the use of these funds to market and promote professional bowling. I understand that the RSCVA is here to offer an amendment ([Exhibit D](#)) to include the use of these funds for the promotion of bowling. For the Committee's knowledge, I would consider that an unfriendly amendment and encourage you to reject it. However, there is another amendment ([Exhibit C](#)) that will come to you from the RSCVA about how the surcharges are collected. Currently in the legislation, they would be collected by the county and then remitted to the RSCVA, which is an unnecessary duplication of services. The proposed amendment will change the collection mechanism to going directly from the properties to the RSCVA and cutting out

the middleman, which was an unnecessary step. I would ask you to process that amendment.

My agreement to present this bill when I was approached by Greg Ferraro more than a year ago was recognizing the need for this to develop tourism and marketing in northern Nevada. It is clearly needed. I think this bill meets that need. My agreement to sponsor the bill was based on the unanimous support of the properties in northern Nevada. While we had that originally, it dissolved for a time, but we have come back to a consensus thanks to the work of members of this Committee, including the Chairman and the work of Mr. Ferraro, to bring people back together. I thank the properties for being willing to continue to work on this to come to a consensus.

Assemblywoman Neal:

In 2013, there were room tax dollars that were supposed to have been sunsetted. They traced all the way back to 2003, and they were supposed to sunset in 2009. It was Senator Smith's bill, Senate Bill No. 509 of the 77th Session. When we had the tax hearing in May 2013, the excess of the money that had been in the account amounted to about \$1.6 million, which had been sitting in the RSCVA's room tax account. What happened to that money that was sitting there? Where was it spent?

Senator Kieckhefer:

I believe you are speaking specifically about the money that was in a specified tourism district in Sparks, surrounding the Nugget and the Victorian Avenue district that had a designated room tax district that was still collected after it was supposed to sunset. We did extend that rate. I would have to defer to the RSCVA to tell you how that money was spent because I do not know. I do know that when we extended that rate on the Nugget, we maintained the requirement that the revenue be spent on the district in downtown Sparks.

Assemblyman Stewart:

Let me see if I have this straight. In the downtown area, the nongaming properties will pay \$2, which will go to marketing. The gaming properties in that downtown area will pay \$3, \$2 of which will go to marketing, and the other dollar will go to keep up the downtown facilities?

Senator Kieckhefer:

You have it reversed. The nongaming hotels will pay the \$2 that will go to the strategic plan. The gaming properties will pay one additional dollar to go to the strategic plan, while maintaining the \$2 that they currently pay toward the maintenance of the existing downtown capital improvements.

Assemblyman Stewart:

Will the outlying hotels, both gaming and nongaming, pay \$2 which will go just to marketing?

Senator Kieckhefer:

Exactly correct, sir. I should also point out that the reach of this new fee will extend no farther than 20 miles beyond the existing downtown district. That was an amendment that we processed in the Senate Committee on Government Affairs, where we exempted properties on the north shore of Lake Tahoe and Gerlach.

Assemblywoman Shelton:

Could you tell me why you exempted compensated rooms in section 1.3? They still need to pay taxes.

Senator Kieckhefer:

We are talking about a surcharge-like room tax that is placed on a room that is rented. I do not believe room tax is paid on comped rooms either. This was just going to be consistent with the existing tax structure, since it is a tax that is imposed on the rental of the occupied room, a tax that is paid by the person who is renting that room. Since there is no payment being made for the occupancy of a room that is comped, then there is no place to generate the tax.

Assemblywoman Shelton:

Are you saying that right now when there is a comped room, there is no sales tax or fee which has to be paid on that particular room when it is being used?

Senator Kieckhefer:

I believe that room tax is not paid, and there is no other tax associated with that.

Assemblywoman Shelton:

Do you know how many rooms are comped at a given time?

Senator Kieckhefer:

I could not answer that, but I know other testifiers can.

Assemblyman Wheeler:

I want to say you did a good job. I know reaching an agreement with this was contentious. I do not see a problem with it, but I was wondering about the marketing end of it, since we know the money that will basically stay in the downtown area will remain relatively flat. How much more will the RSCVA have for marketing with this plan?

Senator Kieckhefer:

Mr. Ferraro knows the details of the revenue generation expectations.

Greg Ferraro, representing Nevada Resort Association:

Our estimates, which could be confirmed by the RSCVA's financial staff, are that this new proposal after the "Ellison Compromise" would yield about \$4 million.

Assemblyman Wheeler:

Thank you, we could use it.

Assemblyman Flores:

I want to echo Assemblyman Wheeler's comment. Thank you for working together. My question about the revenue generated was answered.

Assemblywoman Joiner:

I also had a question about the amount of money. I wanted to thank you for bringing this. I think it is important and it is needed. I appreciate the groups working together to come up with an amendment.

Greg Ferraro:

I want to recognize that Senator Kieckhefer's summary of the bill was spot-on. There is some history to it. The Nevada Resort Association's northern members are MGM's Circus Circus Reno property, Caesars Entertainment's Harrah's Reno property, the Peppermill, the Grand Sierra Resort, Silver Legacy, Eldorado, the Nugget, the Club Cal Neva, and the Atlantis. That represents a significant majority share of the total rooms in Washoe County. We have been working on this issue almost since the end of last session, when there was a growing recognition that we had strategic needs in our region related to tourism, and that the convention authority, as a critical partner, was in need of additional support to meet some of these challenges. Some of those challenges are spelled out in the bill, such as the need for air service marketing support, general advertising and marketing support in key feeder markets, and the need for other strategic imperatives.

The RSCVA, who will speak to this specifically, initiated a strategic planning process. It was a five-year plan that would identify and prioritize those needs. There was a widespread and unanimous recognition that to do that, they needed the funds to be able to accomplish those strategic imperatives. Our members came together over a year ago in a united effort to search for a way to provide those critical dollars to the convention authority from which we regionally benefit. Many conversations took place over the months, throughout this session, and throughout last night. I am proud to say that the

"Ellison Compromise" recognizes that which we recognized a year and a half ago. We have always known that this was something that needed to be done. There were some questions over how to figure it out and create the mechanism by which those funds could be collected. We reached that agreement last night.

Representatives from properties in the RSCVA are here to represent that the Nevada Resort Association is in total agreement with the proposal and the amendments that were described by the Senator earlier. The \$4 million is absolutely critical and a very important starting point. When we reconvene with all of you in two, four, and six years, I would venture to guess that we will revisit this. We will revisit it not only because the bill requires a report to you every five years, but because we will be able to represent that it has been successful and that we may even want to grow it.

I will say that we are pretty confident that northern Nevada tourism has turned the corner. There are a lot of exciting developments in our area, and tourism will help lead the way. As we all know, in our state tourism is our lifeblood. This certainly helps us get more competitive in northern Nevada.

Chairman Ellison:

I know this has been a long time in coming. Everyone was on the same page as far as what we need to do to get tourism back up to where it should be in Reno. That was never a question. The question was how we would get the money there. You did a great job.

Assemblyman Stewart:

Chairman Ellison, I would like to recognize that your negotiation and compromise skills thankfully exceed your flying skills, or this whole thing would have crashed.

Chairman Ellison:

I am never going to live that down, am I?

Assemblyman Wheeler:

I commend you for negotiating as well.

Chairman Ellison:

Will those in support of the bill please come forward?

Michael Alonso, representing Caesars Entertainment; and Peppermill Casinos, Incorporated:

I am here on behalf of Caesars Entertainment, which owns Harrah's Hotel and Casino in Reno and the Peppermill Casinos, Incorporated, which owns the Peppermill Casino in Reno and the Western Village in Sparks. We are here in support of S.B. 312 (R1). There are representatives from the Peppermill and Harrah's Reno who will speak. We are here to support S.B. 312 (R1) in its amended form. We thank Senator Kieckhefer for bringing the bill for all the reasons that he and Mr. Ferraro stated on the record. I believe in turning it over to the parties. We also support the proposed amendments, except for the amendment related to the promotion of bowling. We are opposed to that particular amendment.

Tim Tretton, Vice President and General Manager, Harrah's Reno:

I want to thank Senator Kieckhefer for his leadership in bringing this bill together and Chairman Ellison for getting a compromise together. As Senator Kieckhefer and Mr. Ferraro said, this is a very critical and exciting time in northern Nevada. With all the industry that is coming in, this is the time we need to get something done. Currently, we do not have the funds for marketing and tourism that we would like to have. We have aging assets that we do not have support in funds for. We do not have enough support and funds for air service. This bill takes care of all those needs and really prepares us to go forward and reap the benefits of all the new industry that is coming in. It is also important to remember that we are in agreement as a region to support the RSCVA's long-term plan. This bill is probably one of the most important bills that has come up for quite some time. The impact that it would have on tourism in northern Nevada is vital for us to move forward. We support this bill 100 percent.

Stephen Ascuaga, Corporate Director of Business Development, Peppermill Casinos, Incorporated:

I thank Senator Kieckhefer for pushing this bill forward and taking the time on it. For the sake of keeping this concise, Peppermill Resorts is supportive of S.B. 312 (R1) for the two obvious reasons, both the capital expenditures program that will help keep our facilities up, and the general marketing dollars that will go into the region. I think what makes this such a powerful bill is that this does not just benefit one property or industry. The money that will be generated from this will be something that can maximize the marketing efforts of the overall region, not just Reno, Sparks, and Lake Tahoe, but the greater area with rural destinations. When we look at the wins that we have had recently between the announcements of Tesla, Switch, Apple, and JetBlue coming in daily with direct service from New York, and international flights coming from London and Guadalajara, Mexico, we are changing momentum.

To see this money being generated and put into the strategic plan is something for which we very much appreciate the support of this Committee and this Legislature. We appreciate your support of S.B. 312 (R1), and we look forward to reporting back about the successes we have had with this money in years to come.

Patricia Lee Halavais, Private Citizen, Reno, Nevada:

I support this increase.

Chairman Ellison:

Ms. Lee Halavais is a dear friend of mine and lived in Elko for a long time. Are there any questions from the Committee? [There were none.]

Mike Draper, representing Grand Sierra Resort and Casino, Reno, Nevada:

We are in support of this bill with the proposed amendments. We believe this is a solution to a problem we all agreed existed from the get-go. We appreciate not only Chairman Ellison's leadership but every single member on this Committee who has spent a great deal of time discussing this issue over the last several months. We appreciate all of your work and effort in working with us to solve this problem. We are confident that this will be a good solution.

Steve Wolstenholme, President and Chief Operating Officer, Grand Sierra Resort and Casino, Reno, Nevada:

The Grand Sierra Resort (GSR) is relatively new to this community. I want to thank the Senator for proposing this bill. More importantly, I wanted to thank the Chairman for his leadership in bringing this compromise together. The GSR is committed to this community. We are committed to a strategic plan, and GSR will continue to be actively involved not only in this community but also in this process. The GSR does support the bill with these friendly amendments, but does not support the bowling amendment.

Josh Griffin, representing MGM Resorts International:

I am here to testify in support of the bill and to thank the Senator for his work and the Chairman for his work. MGM Resorts is in support of the bill.

Tony Mavrides, Vice President and General Manager, Circus Circus Reno, Nevada:

I would like to thank the Senator for all the work he has done and recognize the hard work that Mr. Ferraro and Virginia Valentine have put into this initiative. We have had a lot of meetings and all agreed on where we want to end up. Now we have agreed on how to get there. We are firmly in support of this bill. I want to echo everything everyone else has said. There are a lot of small businesses in Reno, Sparks, and the surrounding area that are going to benefit.

Many of us have had a lot of property tax valuations go down. There is a lot of ancillary benefit that can potentially come with increased tourism. The strategic plan would position Reno and Sparks to move forward in a positive way. We have had nine months of positive gaming returns and have turned the corner as a market. We appreciate your support on this bill.

Chairman Ellison:

Are there any questions from the Committee? [There were none.] This will be the easy part. The hard part will be up to you, but it looks like you have a plan. If you want a tree, you plant a seed, and that is what you are doing today.

Steve Wolstenholme:

I do not come from the United States; I was born in Europe. Quite honestly, in Europe, we fund inefficiencies. That is not the American way, and not the way in Nevada, and it will never be the way in Washoe County with our involvement. Funding inefficiencies is not what we stand for. We will be actively involved in ensuring that the strategic plan is appropriate and funds the appropriate resources that we need to make this community what it needs to be. That is something very special.

Chairman Ellison:

It is important to make sure it works.

Assemblywoman Neal:

You keep talking about the strategic plan like it is new. I would like to know what was wrong with the one that was created in 2011-2012 that was in partnership with the American Society of Association Executives (ASAE). What did they do wrong, and why is there a need to adjust in 2015?

Mike Draper:

I think that is best answered by the RSCVA. This is an RSCVA board direction.

Nikki Gross, General Manager, Whitney Peak Hotel, Reno, Nevada:

I want to thank everyone who took the time on these negotiations. I know they got heated last night and took a lot of time. We want to let you know we support this amended version of the bill and do not support the bowling amendment. We are really excited to be here as a new property in downtown Reno.

Glenn Carano, General Manager, Silver Legacy Resort and Casino; and Eldorado Resort and Casino, Reno, Nevada:

We are in support of S.B. 312 (R1). I would like to think that Reno is on a roll right now. As Reno is on a roll, these additional, much-needed dollars will give

the marketing arm of northern Nevada the additional money to jump on that roll. Chairman Ellison, thank you for your leadership and support. We look forward to doing what is best for northern Nevada. We support S.B. 312 (R1).

John P. Sande, IV, representing the Grand Sierra Resort and Casino, Reno, Nevada; and the Nugget Casino Resort, Sparks, Nevada:

I also want to echo support for this bill. I think the reason we were all having such heavy and passionate discussions is because every single person in this room loves northern Nevada. We love our community and we want to see it prosper. It is a great thing that we were all able to come together with the support of the Chairman and every single member of this Committee. I want to thank you for your time in discussing this. Sometimes northern Nevada issues seem to be a little different and foreign, but you were all willing to take the time to be educated.

Brian Kulpin, Vice President of Marketing and Public Affairs, Reno-Tahoe International Airport:

We want to thank you personally for your efforts and thank everyone in this room for coming together on behalf of marketing for our entire region. From the airport perspective, Federal Aviation Administration guidelines prohibit the airport from marketing the region. Airport money can only be used for airport purposes. It is incumbent upon our community to come together to market. Today is truly a watershed moment. It is wonderful for the airport and for the future of this region to see the gaming community and our convention and visitors bureaus coming together with the help of our Legislature to promote this region across this country and even across borders. We have lost opportunities in air service because we have been told that there is not enough marketing taking place. That is not the fault of the RSCVA or the Commission on Tourism, it is the fault of just not having enough money. To see our community, region, and Legislature come together like this to support air service is truly important for us. We are in competition with 400 other commercial airports and communities across this country. They are all competing for the same aircraft and the same airlines as we are. This helps level that playing field. On behalf of the airport, thank you for helping us to move forward and give more "lift" to this community.

Samuel P. McMullen, representing Reno-Sparks Convention and Visitors Authority:

The RSCVA will be the recipient and the effectuator of all these funds. I want to thank you for your support on this because it will be critical to the area. I think the best way to start off is to take you quickly through the amendment ([Exhibit C](#)). I would also like to thank the Committee and the Chairman for giving us access to the bill drafting.

The original reprint created many different impositions of tax by a local government. Those are all necessary, but it also gave the collection obligation to the local governments at will. That is a duplication in fiscal notes and those types of things because there is already a collection mechanism. In Washoe County, the room tax is collected through the RSCVA. That is the mechanism. What this amendment tries to do is make sure that existing mechanism is used for all of these surcharges. I will take you through one section, and you will see how it affects other sections of the bill.

On page 1, line 10 of this amendment, it starts to change the language about the proceeds being collected. It deletes "the local government," and it will do this in sections 1.3, 1.5, and in section 4. It is all consistent and equivalent language. On line 12 of page 1, it moves "county fair and recreation board" to line 16 to talk about how they are created. More importantly, on line 16, it continues with "in accordance with the provisions of section 4.5 of this act." That is the complete drive of these funds to a special account to be done in conjunction with the strategic plan that you have heard a lot about. I have done room tax, gaming, and tourism issues in Reno for over 30 years. This is a very significant upgrade for our abilities. It takes millions of dollars to open up a market. That is very necessary for us in Reno. It is critically important.

I have added, to make definitions easier, on page 2 lines 19 to 23 of the amendment ([Exhibit C](#)) a definition of "hotel." That expedites the whole imposition of this tax and clarifies it in terms of what entities it will involve. That is actually taken out of the Reno Municipal Code. That is the definition that has been utilized for years. We just moved it into statute. You will see it in four different places. The rest of the bill works as everyone has said. Some of the deletions here are based on the fact that, since the local governments are no longer collecting, the reporting of these surcharges in section 2 is no longer necessary. There is a lot of deleted language in this amendment, but that is to condense it into a common collection process, moving that into section 4.5 regarding the strategic planning fund. It does not look simple, but it is that simple.

I presented another amendment ([Exhibit D](#)) which would probably work as part of the strategic planning. It was just to make sure there was some authorization of the utilization of these funds for promoting or marketing professional bowling. As you have heard, there are different schools of thought on that idea. I will leave that to the Committee's judgement, but we have presented that amendment. I will call on Mr. Joe Kelly to answer Assemblywoman Neal's question.

Joe Kelly, Vice President of Facilities, Reno-Sparks Convention and Visitors Authority:

I believe the ASAE partnership that you referred to was designed specifically for the meetings business. It was not a strategic plan. Our prior strategic plan was completed prior to the recession, so we were in need of a new plan. The ASAE is strictly a partnership for the meetings business.

Assemblywoman Neal:

I was reading the 2011-2012 Annual Forecast and Capital Budget of the Reno-Sparks Convention and Visitors Authority, which is the audit. I want to know the lineage of this money. In the report, it said that a strategic plan was created, and it needed to be updated and revised. Then money was assigned. In the 2012-2013 Annual Forecast and Capital Budget of the Reno-Sparks Convention and Visitors Authority [page 13, ([Exhibit E](#))], on in sales and marketing expenses under marketing for 2012, it has \$2,633,000, and the only decrease that occurred in marketing was \$228,000. Where did the money go, and what was it spent on? In the report for 2013-2014 ([Exhibit F](#)), it said that there were expenditures of convention promotion and tourism, and that there was an increase of \$175,000 to utilize funds to sell and market the region. Then it said there were general government expenditures increasing by \$90,000, mainly as a result of developing a strategic plan.

I am confused about where the money is going and what is happening with the money that is being allocated to do the specific job of marketing. Marketing shows up in several components of the budget. In 2013, it showed up in capital and other expenses, but also in operating expenses as promotion and advertising for 2012-2013 as \$2,173,000. The only decrease was \$264,000. It shows up in other income under sales and marketing [page 10, ([Exhibit E](#))], and it is there as \$215,000. Since the bill references in section 4.5 that all money received shall go to the promotion of tourism of the region and the strategic plan, I want to know where all the rest of the money went and what it was used for.

Samuel McMullen:

We have moved forward on this bill and talked about a strategic planning fund. However, a lesson on exactly what the resources are that the RSCVA has would be helpful. There are already a number of percentage points of room tax collected in the Washoe County area. That is basically the general operating budget, general marketing budget, and all of the components for which the RSCVA is responsible. It must run facilities, market, and do everything involved with that. There is a second component fund that we are not touching, which is \$2 in the City of Reno for hotels with a nonrestrictive gaming license. That is

functioning for the facilities in Reno, and that was the specific explanation that Senator Kieckhefer gave today.

What they decided to do was segregate the money for purposes of targeted strategic planning in marketing and facilities and with four months of the process started with a consultant. That was a very desirable result by everybody in the audience. That is resource number three. If you think about it, the business of the RSCVA is the marketing of the community. It has to spend that money in various ways. This is more to just target these funds to certain strategically planned objectives. That does not mean the rest of it is not strategically planned or coordinated, and it will be. If we need to, we can talk about the budget more, but I think that explanation should help. It will all be integrated. They do not spend little pieces like that without it being coordinated. It is a very public process, it has the same open meeting law as the government, and it is managed very well.

Chairman Ellison:

This is an audited agency.

Samuel McMullen:

Correct.

Assemblyman Wheeler:

Those reports and the audit that the RSCVA is subject to are also reviewed by the actual members, like the GSR, Peppermill, Atlantis, and others. Those members know where their money is going, and if anything was spent out of line, they would certainly know about it.

Samuel McMullen:

I think you can tell by the effort of the people who came down today as leaders of our tourism industry that they take great pride in and pay attention to exactly what is happening. It is critical for our community and for everything they do. Every dollar means something. We frankly do not have enough marketing dollars for northern Nevada. There is an appointed board with elected officials who take their jobs very seriously. There is wonderful staff in the RSCVA who works hard trying to make sure they are doing everything to keep their bosses happy. The bottom line is that it drives for a better product.

Assemblyman Wheeler:

I want to make it clear that some of the best businesspeople in the United States are looking at these audits and making sure their money is not being spent superfluously.

Samuel McMullen:

What you are authorizing today is that same kind of open, transparent planning process for moving the community forward. It is a very smart thing to do, and important to advance.

Chairman Ellison:

The RSCVA does a lot of things. It is not just a one-trade business. You moved the train tracks to the trench downtown, and your efforts were very professional. That was a safety issue that has been there for decades. That was done through your guidance.

Samuel McMullen:

I think what we see today and in past projects, like moving the train tracks, is this is a community that knows how to get together and work. Those are examples of that, and today is another great one.

Assemblywoman Joiner:

I think most of my question was answered. It was related to the process in section 4.5. There are several resources of money, as you mentioned. I was wondering about the timeline of all this. You mentioned that we are four months into the strategic planning process. I am curious what might be completed, and what the process would be to prioritize the different uses of the funds after that.

Samuel McMullen:

I think those will happen concurrently. The end product for the strategic plan should be the strategic priorities. I think there will actually be some worry about having too many priorities and having to stage them correctly. We believe that will be done on time around September.

Lisa Gianoli, representing Washoe County:

Washoe County supports S.B. 312 (R1) in its amended form for all the reasons previously stated. The Washoe County Board of County Commissioners voted to support S.B. 312 (R1) for all the potential benefits it will provide our county and region.

Scott F. Gilles, Esq., Legislative Relations Program Manager, Office of the City Manager, City of Reno:

The City of Reno supports the bill with the amendments. The concept of the bill was presented to our City Council by Mr. Ferraro a few weeks back, and the Council lodged its full support for the bill. The primary component for that support is probably that the bill and its amendments will not touch how the existing \$2 surcharge that is collected downtown is collected, distributed, or

spent. Based on Senator Kieckhefer's testimony while presenting the bill and the amendments I have seen, I do not see any change to the \$2 surcharge, so we still fully support this bill.

Assemblywoman Neal:

For my educational purposes, this question is for the City of Reno and Washoe County. What is your oversight regarding the RSCVA and their audits?

Lisa Gianoli:

We get those audits. We have elected officials who sit on that board, so we always have a presence on the board. We used to have relationships in a debt service capacity, but I believe those have all been changed now to be in the RSCVA's hands instead of Washoe County.

Scott Gilles:

The City of Reno has basically the same scenario. I believe there are currently two members on the RSCVA board. The reports are provided, and I would assume they are reviewed. There is oversight by the City Council on those issues.

Samuel McMullen:

I did reach out to the City of Sparks to make sure they were comfortable with this change in the collection process. I do not know if they saw the definition of hotel that was added, but they got back to me on the amendment and every other aspect, saying they were fine with it. They were not left out.

Adam Mayberry, Community Relations Manager, City of Sparks:

I want to echo what Mr. McMullen said. We do support S.B. 312 (R1) for all the reasons that have been stated. We appreciate the leadership of the Nevada Resort Association, Senator Kieckhefer, and the Chairman.

Chairman Ellison:

Is there anyone else in favor of the bill? [There was no one.] Is there any testimony in opposition?

Linda Barnett, Director of Sales, Baymont Inn and Suites, Reno, Nevada:

I am the owner of two small hotels in Reno. Last night, I stood shoulder to shoulder with several of the people behind me, who were opposed to this bill. When I got here this morning, it seems now that they have all reversed course. I want you to understand that it is a pleasure to be with all of these people from great casinos, but we are small properties, and we do not have gaming. We have no way to make up revenue if we do not sell rooms. This is going to have a significant impact on us. Imposing these fees on hotels that are already

struggling and cannot justify the increase to corporate clients, will put us at a disadvantage. Northern Nevada has not recovered from the economic downturn of 2009. [Continued reading from ([Exhibit G](#)).]

The fact that these properties were not aware of this bill does show some lack of cohesiveness. An imposition of the fee means that we are going to have to reduce our rates. We are already at the limit of what we can charge. If we reduce our rates by \$3, that means that room tax will be lowered just to assess that fee. It is going to hurt our profitability and will make your numbers a little different than what you thought they were. This truly does impact us. Maybe we should think about the nongaming properties that you are now including in all of this. We are not in support of this bill, even though all the people who were also not in support last night are in support today.

Chairman Ellison:

When we were negotiating and trying to resolve the issues, your types of properties were in our hearts and minds. If we can get money out there to advertise and bring people in, then it creates more revenue for hotels and motels. I am hoping to God that it does benefit them. I am also a small-business owner, so I know what the impacts can be. We had you in mind, and I want you to know that. I think if they do the marketing correctly, you will all benefit.

Linda Barnett:

Does that mean that we have not been doing the marketing correctly? What is going to be the difference now if we are just putting more money into it? Does just more money mean it will be better? What have we been doing wrong in marketing our destination? I see Assemblywoman Neal asking that same question. If we have been doing something wrong, what do we need to be doing right? I am the little person in this situation. We are not part of this big association with all the casinos, we are small hotels: Holiday Inn, Lexington Inn and Suites, Baymont Inn and Suites, Quality Inn and Suites. We are those people. How do we participate? How do we say, Do not tax us unless you can help us?

Greg Ferraro:

We understand and respect your position, and we appreciate it. The bill, as proposed, would enable monies to be collected to be put into a resource. That resource would be used only for the purposes of implementing the strategic plan. Under section 4.5 of the bill, there are a couple of areas of the strategic plan to help everyone, specifically air service marketing. You heard the representative from the airport indicate that is arguably a key element.

Logically, it is easy to assume that if air service marketing improves at the Reno-Tahoe International Airport, everyone benefits. The purpose of this bill and its effect is to regionally create benefit. It is not going to be just marketing or for specifically one thing or another. It is going to be funds that will help implement the strategic plan that the Board of Directors of the RSCVA will make regional decisions based on regional collections. That is the thrust of this measure.

Assemblyman Wheeler:

Ms. Barnett, I was wondering if you had time to look at the amendment that was agreed upon. You mentioned \$3, and the way I understand it, nongaming's rate will actually be \$2.

Linda Barnett:

I had not. I did not hear about all the things that went on last night until this morning when I got here. Last night, several of these people were in a totally different state of mind. I am David against Goliath here. I think you should understand what the smaller properties are going to face. Can we make it up with occupancy? I hope so. But in the short term, this affects our profitability. If we have less money to put back into our properties, we go on a downward trend.

Assemblyman Wheeler:

Another misconception is that the marketing plan is currently being done incorrectly. I do not think that is the point. I think the point is, from what we are seeing, that the marketing plan is not far-reaching enough and we are not doing enough of it, not that it is being done incorrectly. I think if you live in the areas I do and look at the television advertisements, for the first part of the marketing year there are some commercials about Reno. But in later parts of the year, there are not. That just makes it obvious to me that they do not have the funds to continue broadcasting the advertisements. I am hoping that this plan will help small businesses because I started out as a small businessman as well.

Chairman Ellison:

Are there any further questions from the Committee? [There were none.] Is there anyone else opposed? [There was no one.] Does anyone want to testify as neutral?

Andy Chapman, Executive Director and Chief Executive Officer, Incline Village Crystal Bay Visitors Bureau:

I want to recognize Senator Kieckhefer for understanding the need to create revenue for this area for tourism and hospitality promotion. I specifically want

to thank him for understanding the unique situation that Incline Village and Crystal Bay are in and for removing us with that boundary. From the standpoint of the Board of Directors, we appreciate the understanding and being involved in the process.

Kelly Frerking, General Manager, Staybridge Suites-Reno, Nevada:

As of yesterday, many of these people who are now supporting the bill were not. Many of them seem to be appeased by the fact that the amount has been lowered or adjusted to make it a little more fair. The concern for the small-business owner who I work for, who would be here today if there were not such short notice for most of us who did not know about this bill, is that they have received \$20 million in transit occupancy tax from hotels last year. I am not quite sure that adding to the marketing plan is going to be enough to make an improvement. It does not necessarily affect a lot of the smaller hotels, as Ms. Barnett stated. Most of the business that comes into the Convention Center end up in a large casino hotel. We are an extended-stay hotel, so we are already competing with apartments. People with the large companies that are coming to the area can stay in an apartment. On top of trying to get business for our hotel, we have a 13 percent tax per night, and now we are looking at charging a 30-night stay an additional fee per night.

I am not for or against this bill, but it seems there is just not enough information about where this marketing money is coming from. They stated they are looking to make about \$4 million. A lot has been said about extending and adding to the marketing, but in my reading of the bill, I saw that some of this money will be going to maintenance and upkeep of the buildings in the current convention center. As hotels, we do a capital improvement plan every year. We know in advance what we will have to put our money into and where we are going to get it from. Why were these capital improvement plans not put into their budgets previously? You must have known at some point that maintenance was going to have to be done on these buildings. Why is it just now coming up that it needs to be paid with this bill?

Chairman Ellison:

I think they have been working on this for about eight months. These meetings are open to the public, so that might be a process that you, the management, or the owner might want to be involved with. Is there anyone else who is neutral? [There was no one.] Senator, would you like to make some closing remarks?

Senator Kieckhefer:

I want to thank the Committee and the Chairman for his work on this, and thank the owners and managers of the properties who were able to come together and regain a unanimous position from the Nevada Resorts Association

perspective. It was important to me that they were unanimous before we presented the bill, and it is important that it is now.

Chairman Ellison:

This came a long way in a short time. Senator, if you can get Assemblywoman Neal the information she needs to make her feel comfortable, I would appreciate it.

[The following letters were submitted but not discussed, and will become part of the record: ([Exhibit H](#)), ([Exhibit I](#)), ([Exhibit J](#)), ([Exhibit K](#)), ([Exhibit L](#)), ([Exhibit M](#)), ([Exhibit N](#)), and ([Exhibit O](#)).]

I will close the hearing on S.B. 312 (R1) and open the hearing on Senate Bill 310 (2nd Reprint).

Senate Bill 310 (2nd Reprint): Revises provisions relating to local government financing. (BDR 22-827)

[Assemblyman Moore assumed the Chair.]

Senator Ben Kieckhefer, Senate District No. 16:

We are going to stay in downtown Reno for the time being and talk about a tourism improvement district and the need to extend its life due to the economic downturn. The Tessera Tourism Improvement District [referred to aerial map ([Exhibit P](#))] was a district that was created in downtown Reno just before the financial problems our country faced began. Due to that economic downturn, the Tessera District never really took off in terms of the collection of tax increment that would have been used to improve the downtown district.

This is a district that is critical to the rehabilitation of downtown Reno. It is the district that lies directly east of the casino district [referred to aerial map ([Exhibit Q](#))] and directly south of the University of Nevada, Reno [referred to aerial map ([Exhibit R](#)).] It is immediately south of Interstate 80 [referred to aerial map ([Exhibit S](#))] and is a key component of the city's effort to reunify the university with its downtown core. Right now, it is in serious need of work, and the Tessera District was created with the intent to generate the necessary revenue to truly bring the district up to where it should be as a central part of our community.

What the bill does is extend the life of the tourism improvement district. The only district it would apply to is the Tessera District that I described. *Nevada Revised Statutes* (NRS) Chapter 271A allows for a 20-year lifespan in the tourism improvement district. That limitation will continue to apply, except

for districts that have not created any tax increment during the first five years of their lives. This will restart the 20-year clock on the Tessera District by extending it out to 25 years. It gives them about 19 years from this point. Since they have not generated any tax increment to finance projects within the district, it made sense to me considering that it is such an important piece of where the City of Reno is hoping to go. There was also an amendment added in the Senate during our work with Senator Smith. It was regarding the ability to abate the Local School Support Tax (LSST). When the Tessera District was created, LSST was an eligible abatement for the tourism improvement districts. In 2013, we processed legislation that exempted LSST from that abatement process. The district was created at a time when the LSST was eligible for abatement, and the amendment would allow the continued abatement of the LSST for the initial 20-year portion of the district's life that then required LSST to be collected and distributed to the schools in the final five years it is extended in this bill.

[Assemblyman Ellison reassumed the Chair.]

Steven T. Polikalas, representing Tessera Tourism Improvement District:

This is an important piece of real estate in downtown Reno. We think it is vital to not only the city but the region's reality and the perception of Reno. The university district is now in this same area. This is an important tool that will allow us to take these strides to redevelop this part of Reno. It is not a silver bullet, but it is an arrow in the quiver of economic development tools that the city has at its disposal. Right now, the tools to attack that blight are very limited.

Chairman Ellison:

I did get to spend some time working on this bill with you. This is not something where you are asking to take money or for a tax abatement. This is through revenues, is that correct?

Steven Polikalas:

To be clear, this is only an increment that is created from development that occurs prospectively. To create the tourism improvement district itself, there had to be no sales tax occurring in the district. This only provides a portion of the sales tax that can be collected as an economic development tool. It is more of a reimbursement than an abatement. It is a portion that can help aid the development of projects in the district.

Senator Kieckhefer:

I apologize for my misstatement; I think I used the term abatement, but it is a tax increment district. It is similar to what we would use for a Sales Tax

Anticipated Revenue (STAR) bonds process, or something similar. I would use the term tax increment district.

Steven Polikalas:

It is an improvement district and solely seeks to aid the ability to improve the district with revenue generated from the improvements of such.

Chairman Ellison:

It is a large piece of property, and I hope everybody gets time to look at it. It is a good size and would help the downtown area.

Assemblywoman Neal:

I am looking at the back of the bill in section 3, subsection 2, paragraph (a), subparagraph (2). It says:

For the period consisting of the 5 full fiscal years immediately following the period described in subparagraph (1), except that the governing body of the municipality may provide financing or reimbursement pursuant to NRS 271A.120 from not more than 0.5625 percent....

I was confused when you said it is just a reimbursement. It is financing as well, correct? Help me understand that provision of the bill.

Steven Polikalas:

The idea is that there is no sales tax generated in the district. We have a specific agreement with the Washoe County School District in the creation of the district, where we provide them a direct portion equal to 0.5625 percent of any new retail sales tax generated in the district. As it relates to this bill, the extension was five years to restart the clock, as Senator Kieckhefer indicated. The compromise that we achieved with Senator Smith was to allow the school district to receive that portion we have already committed to them in the ordinance that creates the district [NRS 271A.070] as well as, in the final five years, them getting all the LSST plus the 0.5625 percent.

Chairman Ellison:

Are there any further questions from the Committee? [There were none.] I will hear those in favor of Senate Bill 310 (2nd Reprint).

Scott F. Gilles, Esq., Legislative Relations Program Manager, Office of the City Manager, City of Reno:

The City of Reno supports this legislation with Senator Smith's amendments from the other house. As Senator Kieckhefer mentioned, this extension of the

district could be a key component to the city's desire to tie the downtown area to the university area. I can confirm for the Committee that I have spoken with staff early on in this bill process. The trigger for the extension of the five years has been met, meaning no monies were paid.

Chairman Ellison:

If that was a commercial district, the revenues back to the city could be pretty healthy in the future, is that correct?

Scott Gilles:

Absolutely. That is the plan. The project was affected by the economic downturn, so the city was supportive of extending this improvement district by the five years to make up for lost time.

Chairman Ellison:

Are there any questions from the Committee? [There were none.] Is there anyone else in favor of S.B. 310 (R2)? [There was no one.] Is there anyone opposed? [There was no one.] Is there anyone neutral? [There was no one.] Senator, do you have any closing statements?

Senator Kieckhefer:

I would like to thank you and your Committee for this bill and your generosity with your time spent on the bills I have brought before you this session.

[([Exhibit T](#)) was submitted but not discussed.]

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Chairman Ellison:

I will close the hearing on S.B. 310 (R2). Is there public comment? [There was none.] Meeting adjourned [at 9:59 a.m.].

RESPECTFULLY SUBMITTED:

Erin Barlow
Committee Secretary

APPROVED BY:

Assemblyman John Ellison, Chairman

DATE: _____

<u>EXHIBITS</u>			
Committee Name: <u>Assembly Committee on Government Affairs</u>			
Date: <u>May 5, 2015</u>		Time of Meeting: <u>8:35 a.m.</u>	
Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
S.B. 312 (R1)	C	Samuel McMullen / Reno-Sparks Convention and Visitors Authority	Proposed Amendment
S.B. 312 (R1)	D	Samuel McMullen / Reno-Sparks Convention and Visitors Authority	Proposed Amendments
S.B. 312 (R1)	E	Assemblywoman Neal	2012-2013 Annual Forecast and Capital Budget
S.B. 312 (R1)	F	Assemblywoman Neal	2013-2014 Annual Forecast and Capital Budget
S.B. 312 (R1)	G	Linda Barnett / Baymont Inn and Suites Reno	Testimony in Opposition
S.B. 312 (R1)	H	Ben Schwartz / Private Citizen, Reno, Nevada	Letter
S.B. 312 (R1)	I	Ferenc Szony / Truckee Gaming	Email
S.B. 312 (R1)	J	Karamir Tahar / Baymont Inn and Suites, and Lexington Inn and Suites	Letter
S.B. 312 (R1)	K	Rob Medeiros / Boomtown Casino and Hotel	Letter
S.B. 312 (R1)	L	Chalmer Dillard / Hyatt Place Reno-Tahoe International Airport	Letter
S.B. 312 (R1)	M	Steve Wolstenholme / Grand Sierra Resort and Casino	Letter
S.B. 312 (R1)	N	Carlton L. Greer / Nugget Casino Resort	Letter
S.B. 312 (R1)	O	Nikki Gross / Whitney Peak Hotel	Letter

S.B. 310 (R2)	P	Steven Polikalas / Tessera Tourism Improvement District	Tessera Tourism Improvement District Aerial Map
S.B. 310 (R2)	Q	Steven Polikalas / Tessera Tourism Improvement District	Casino District Reno Aerial Map
S.B. 310 (R2)	R	Steven Polikalas / Tessera Tourism Improvement District	University of Reno, Nevada Aerial Map
S.B. 310 (R2)	S	Steven Polikalas / Tessera Tourism Improvement District	Tessera Tourism Improvement District Direct Overhead Aerial Map
S.B. 310 (R2)	T	Steven Polikalas / Tessera Tourism Improvement District	Online Newspaper Article Link