

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

**Seventy-Eighth Session  
March 2, 2015**

The Committee on Government Affairs was called to order by Chairman John Ellison at 9:02 a.m. on Monday, March 2, 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](http://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](mailto:publications@lcb.state.nv.us); telephone: 775-684-6835).

**COMMITTEE MEMBERS PRESENT:**

Assemblyman John Ellison, Chairman  
Assemblyman Richard Carrillo  
Assemblywoman Victoria A. Dooling  
Assemblyman Edgar Flores  
Assemblywoman Amber Joiner  
Assemblywoman Dina Neal  
Assemblywoman Shelly M. Shelton  
Assemblyman Stephen H. Silberkraus  
Assemblywoman Ellen B. Spiegel  
Assemblyman Glenn E. Trowbridge  
Assemblywoman Melissa Woodbury

**COMMITTEE MEMBERS ABSENT:**

Assemblyman John Moore, Vice Chairman (excused)  
Assemblyman Harvey J. Munford (excused)  
Assemblyman Lynn D. Stewart (excused)

**GUEST LEGISLATORS PRESENT:**

None



**STAFF MEMBERS PRESENT:**

Jered McDonald, Committee Policy Analyst  
Eileen O'Grady, Committee Counsel  
Jordan Neubauer, Committee Secretary  
Cheryl Williams, Committee Assistant

**OTHERS PRESENT:**

Terry E. Rubald, Deputy Executive Director, Local Government Services,  
Department of Taxation  
Joshua J. Hicks, representing National Public Finance Guarantee  
Corporation  
Brian McAnallen, Government Affairs Manager, City of Las Vegas  
Jeff Church, Private Citizen, Reno, Nevada  
Rusty McAllister, President, Professional Fire Fighters of Nevada  
Leonard Cardinale, President, North Las Vegas Police Supervisors  
Association  
John Faulis, Chairman, Las Vegas Police Managers and Supervisors  
Association

**Chairman Ellison:**

[Roll was called.]

[Assemblywoman Woodbury assumed the Chair.]

**Assemblywoman Woodbury:**

[Committee rules and protocol were explained.] I will now open the hearing on  
Assembly Bill 54.

**Assembly Bill 54: Revises provisions relating to local governments existing in a  
severe financial emergency. (BDR 31-308)**

**Terry E. Rubald, Deputy Executive Director, Local Government Services,  
Department of Taxation:**

Assemblywoman Woodbury and members of the Committee, I am Terry Rubald,  
the deputy executive director of the Department of Taxation. It is my pleasure  
this morning to present to you Assembly Bill 54, which is regarding  
amendments to *Nevada Revised Statutes* (NRS) Chapter 354. [Continued to  
read from prepared text ([Exhibit C](#)).]

I will reference the Committee on Local Government Finance (CLGF), which  
currently is a committee of 11 people that are appointed by the Nevada League

of Cities and Municipalities, the Nevada Association of County Commissioners, the Nevada School Trustees Association, and the Nevada State Board of Accountancy. [Continued to read from prepared text ([Exhibit C](#)) and referred to ([Exhibit D](#)) and ([Exhibit E](#)).]

**Assemblywoman Woodbury:**

Does the Committee have any questions?

**Assemblyman Trowbridge:**

You described what happened in White Pine County, and it seems that the Tax Commission actually took over the operation. How does that differ from the recent situation in North Las Vegas? When the Tax Commission took over the operation, it gave them the opportunity to negate labor contracts, correct? North Las Vegas took it upon themselves to declare a financial emergency. They went back to their bargaining groups and were able to negotiate concessions, one was forced and one was permissible; what is this doing here? I think one of your first comments was if a local government met one or more of the conditions, some of which are pretty weak, they could be deemed to be close to financial insolvency.

**Terry Rubald:**

Yes, any one of the 26 conditions, and that is why it is so important to add the language "after giving consideration to the severity of the condition" because if one report is filed late it should not throw the government into a severe financial emergency. It is important to recognize how severe and continuing the condition is. Regarding your question about North Las Vegas, The Department of Taxation has not made a finding that any of the 26 conditions were in place, so we did not make a recommendation to CLGF. Although they have asked the City of North Las Vegas to appear before them on several occasions so they can keep apprised of what the conditions are. The effects of A.B. 54 have never been declared in the case of the City of North Las Vegas.

**Assemblywoman Neal:**

I will start with your discussion on defining "holder," which I am assuming is in relationship to the bond indebtedness. You want to add a subsection to section 2 after subsection 8 that defines "holder." Encapsulating the definition of holder means that you are a person in possession of the instrument, not necessarily who has been a holder in due course, but the payee who is going to receive the money in the end that has been negotiated. I was looking at NRS Chapter 104, which is the Uniform Commercial Code, and we only deal with "holder in due course," which is a small distinction in rights. What are we capturing by using the word "holder" versus "holder in due course?"

**Terry Rubald:**

This was an amendment from the National Public Finance Guarantee Corporation, and they wanted to make sure that, as the insurer of the bond issued, they could also have a seat at the table. When you look at section 8, subsection 1, paragraph (j), it says "Meet with the creditors of the local government and formulate a debt liquidation program . . . ."

**Assemblywoman Neal:**

I understand that everyone should come to the table, but you have language in section 8, subsection 1, paragraph (j) that says "that may include, without limitation, the adjustment of bonded indebtedness by the exchange of existing bonds for new bonds with a later maturity date and a different interest rate;" so I researched bond indebtedness when you exchange bonds and the process. Whenever you do a bond exchange, you run the risk of changing the legal rights and obligations of the issuer. We have prepared text ([Exhibit E](#)) from Barbara Flickinger of the National Public Finance Guarantee Corporation that says, "We believe that if we are given the opportunity to enter into a constructive discussion in good faith, National and other stakeholders can provide expertise and options that may not be initially apparent, resulting in a better outcome for all parties." What could not be initially apparent? I know that you should not be responsible for another person's prepared text, but when she says "resulting in a better outcome," are we changing the obligations? Are we doing a modification that is so significant that we might need to have an additional discussion about what the debt exchange means to the parties at the table?

**Terry Rubald:**

The idea was to be able to amend the provisions of a debt issuance if necessary.

**Joshua J. Hicks, representing National Public Finance Guarantee Corporation:**

The idea behind this amendment was to give a seat at the table to groups like bondholders. Groups like the National Public Finance Guarantee Corporation will recognize that if you have a financial emergency, you are going to have local government and the Department of Taxation look to everybody to help with things and that is what the good faith language in Barbara Flickinger's prepared text ([Exhibit E](#)) is about. These are groups who want to help local governments succeed; they do not want to see bonds go into default.

**Assemblywoman Neal:**

When you sit down at the table, I want to know what you expect to receive. When you extend bond payments, the rate and the maturity date changes and there is a significant adjustment. When you give notice to the contiguous

municipalities who could have a relationship or could be affected by a discussion like that, what are we looking at that is not apparent on the surface that could be affected in that discussion? What we found out with the City of North Las Vegas is that there was an interrelationship.

**Joshua Hicks:**

The goal is to have a seat at the table. If you are talking about a specific situation, extending bond payments or interest rates change, impacts on local government are an important part, and I think the idea behind this bill is that everybody has a seat at the table. We just want to make sure that the bond insurers have a seat too.

**Assemblywoman Spiegel:**

In reading through the bill, it does not seem that there is any obligation to report to the Legislature or come to the Legislature at any point during this process, is that correct? If the Legislature is responsible for granting charters to cities and other municipalities, why would the Legislature not be involved in having it revoked? Why is all of the power given to a committee, starting with when someone would be placed on fiscal watch, and not an elected body such as the Legislature?

**Terry Rubald:**

In the White Pine County experience, I was here in front of the Legislature virtually every time there was an interim committee meeting to report on the activities on the severe financial emergency. You are right, there is not language requiring us to report to the Legislature. I was asked to appear each time, and I did. I can tell you with the City of Gabbs, it was dissolved by the Legislature, and they withdrew their charter.

**Assemblywoman Spiegel:**

Section 1, subsection 4 talks about people who are appointed to the Committee on Local Government Finance, and you are adding "and each member appointed may be reappointed to additional terms." Why are you changing the term limits?

**Terry Rubald:**

This is to recognize the fact that the Committee members have the ability to be reappointed. The current chairman, Marvin Leavitt, has been on the Committee for a long time. They are not elected officials, so I am not sure how the reappointment works.

**Assemblywoman Joiner:**

I am struggling with what the need and urgency is for this bill. It sounds like we had a system in place, and for the last 20 years we have only needed to use it four times. Were there specific problems with the procedures that sections in this bill are addressing? Are you anticipating that we will need to use this more often? Is it modeled after another state?

**Terry Rubald:**

I tried to relay several of the experiences we had with White Pine County to show the need for some of the provisions in this bill. For instance, the ability to impose an increase in the property tax that is not subject to the abatement and the ability to renegotiate the bond issues to include the renegotiation of the maturity and the rate of interest. We have not been in a severe financial emergency for a few years, so there is no urgency, but it seemed appropriate to put this in place should there ever be an emergency in the future. We would like to clean up these laws so they are ready to go should we need to invoke them.

**Assemblywoman Joiner:**

I have a question regarding the collective bargaining section on page 12. You said this bill would give the Department of Taxation the ability to renegotiate certain contracts, but I do not see that language in the bill. I see where it says on line 8, "suspend in whole or in part," but that does not necessarily mean something new would be renegotiated. Is the intent purely financial? Perhaps when you run into this situation you find that the contracts are too expensive to fulfill and if that is the case, why that type of contract and not other types of contracts that are also very expensive at the local level?

**Terry Rubald:**

The intent behind this was if there were a multi-year contract in place, the Department of Taxation would be able to reopen and negotiate the collective bargaining agreement as soon as they arrive, so that we can, if necessary, address the financial portions of the collective bargaining agreement. It is not intended to include the portions that are not financial in nature. On page 11, section 8, subsection 1, paragraph (f), you can see that the Department has the ability to negotiate and approve all contracts; that language was not modified.

**Assemblyman Trowbridge:**

This brings me back to my original line of questioning. These provisions have only been used twice in many years, but the most recent experience was with North Las Vegas. They recognized their problem, went to arbitration groups, and worked out a solution without the state being involved. This entire bill, with all of the amendments, encourages situations where the state would go in

and take over the operation of a municipality. Would it complicate things for a municipality that recognizes their own problems and wants to correct them on their own? The purpose of one of the amendments is to propose a solution for a municipality in distress; do these rules only apply to municipalities?

**Terry Rubald:**

A municipality is a term that actually includes all local government. I would argue that this bill would not bring the state into the local government more frequently. We are actually trying to slow down the involvement of the state in a severe financial emergency, for instance, a request by the local government as a result of litigation or proposed litigation. The way the law is currently, as soon as the local government asks for the state's involvement through the Tax Commission, they shall order it without a hearing or actually agreeing that there is a severe financial emergency. We are trying to wait to see if there is a severe financial emergency before getting involved in local government business. We are introducing the notion of fiscal watch, which is to avoid having to go directly into severe financial emergency; it is what happens in real life anyway. For instance, the Pershing General Hospital was very close to having major troubles. They could not pay their Public Employees Retirement System bill, so we worked with them for seven years in front of CLGF and, ultimately, they were able to take control of their own future. They have won a national award for succeeding in getting out of their financial troubles. It is much better to offer advice and allow the local government to work out their own problems than it is for us to step in and make those decisions for them. That is what several of these provisions are trying to do.

**Assemblyman Trowbridge:**

I served on a credit union board where I became involved in a fiscal watch. The result was an unfortunate experience. It was incredibly expensive to adhere to all kinds of reporting requirements, which seemed to be arbitrary in number and investment methods, and other things that go way beyond a financial institution that might be in distress. I am talking about the Clark County Credit Union, which at the time was rated one of the top credit unions in the United States, but because of the economic reversal, we had many people that had loans that they could not pay. We were retiring the bad debt each quarter, as it should be with fiscal management, but because we were in a position to retire the bad debt, they went overboard with restrictions. For three years, we had to submit all kinds of reports that were burdensome, and I am sure the agency did not have time to read the reports before the next set of quarterly reports were due. I would be very cautious of giving a free hand to a state agency to come in and declare fiscal watch. I am concerned, and it should be judiciously imposed.

**Terry Rubald:**

I can appreciate your concern in that situation. What fiscal watch means to us in this bill is that some of the conditions are present, and we ask the local government to work on correcting the conditions, and they tell us when they are corrected.

**Assemblyman Carrillo:**

You talk about meeting with creditors, holders, and local governments to negotiate in good faith, but that is the extent of it; you do not go beyond that. I believe there was an amendment put in place about mediators, but since you did not address that, can you please address it now?

**Terry Rubald:**

I believe that amendment is going to be proposed by someone else. I would be happy to work with anyone to come to language that is mutually acceptable.

**Assemblyman Carrillo:**

Is there some kind of limitation on fiscal watch? What kind of financial burden will this put on the municipality on top of already being in financial distress? Is there a fiscal note for this bill because of that purpose?

**Terry Rubald:**

Fiscal watch is defined on page 3 of the bill and is "the monitoring of a local government." It does not come with a fiscal note because we are not demanding any particular activity or reporting. We are just monitoring to make sure that we understand what the condition of the local government is. If their condition is getting worse, we need to know so that activities can be initiated, whether it is technical or financial assistance, or whether it is actually a severe financial emergency. It is intended to be a tiered system because we do not want every situation to go directly into a severe financial emergency. When one or more of the conditions are present, we monitor the municipality and make sure they are working to correct the situation.

**Assemblyman Carrillo:**

Why does section 8 only deal with collective bargaining agreements and not include every contract of the municipality?

**Terry Rubald:**

Section 8, subsection 1, paragraph (f), has existing language that already talks about negotiating and approving all contracts on behalf of the local government. Currently, section 8, subsection 1, paragraph (g) says "Negotiate and approve collective bargaining contracts entered into by the local government," but the Office of the Attorney General interpreted that to us as meaning future



contracts, so that is why you will see the amendment here and later on in section 8, subsection 2. We want to start tackling any financial problems earlier.

**Assemblyman Carrillo:**

Section 8, subsection 2, states "The Department may, after taking over the management of a local government and with the approval of the Committee, suspend in whole or in part any collective bargaining agreement . . . ." There are many issues in collective bargaining agreements that are not financial issues such as safety, staffing, uniforms, due process, discipline, promotions, et cetera, so what guarantees do collective bargaining groups have that their entire contract will not be suspended, leaving them without the many protections currently in place?

**Terry Rubald:**

It may be that this section needs more language because our intention is just to talk about the financial aspects of the contracts.

**Assemblyman Carrillo:**

I believe it is something that needs to be addressed. We will get it corrected, right?

**Terry Rubald:**

Yes, we will.

**Assemblywoman Spiegel:**

I am seeing the immense amount of power that would be given to the Committee on Local Government Finance (CLGF) without having legislative oversight in statute. I did not see an appeals process for a municipality. Is there an appeals process?

**Terry Rubald:**

There is a two-level process. Before a severe financial emergency is declared, CLGF would make recommendations to the Tax Commission, but before they formulate the recommendations there will be hearings. That is why we are including notice to the surrounding local governments. Including them is not provided for now, and they may be affected. The recommendations are then taken to the Tax Commission, and a hearing is held where the final decision will be made about whether to declare a severe financial emergency or if the Department of Taxation should be ordered to provide technical or financial assistance.

**Assemblywoman Spiegel:**

The Committee is just appointees, and there are no elected officials that are part of the appeals process?

**Terry Rubald:**

Yes ma'am, they are all appointees.

**Assemblywoman Neal:**

How does this work when you are in the middle of a collective bargaining agreement? You cannot change the terms or suspend it unless it has been consented to, correct? What is the effect of a suspension? The reason why you may be able to suspend the agreement is because there is a reserve management right in NRS 288.150. I cannot grapple with how you deal with a right that may have occurred when in law you cannot exercise a non-bargaining managerial prerogative that lies beyond the scope of the collective bargaining agreement. Are we getting ourselves into a situation where there is a perceived managerial right that was not considered or discussed in the agreement? Going forward, do collective bargaining agreements now say that they are giving up their rights in case of an emergency? Is that language now in a collective bargaining agreement with the municipalities?

**Terry Rubald:**

I believe you are referring to NRS 288.150, section 2, paragraph (w), "Procedures and requirements for the reopening of collective bargaining agreements that exceed 1 year in duration for additional, further, new or supplementary negotiations during periods of fiscal emergency. The requirements for the reopening of a collective bargaining agreement must include, without limitation, measures of revenue shortfalls or reductions relative to economic indicators such as the Consumer Price Index, as agreed upon by both parties."

**Assemblywoman Neal:**

Are you going to be allowed to create new terms, or is this just a suspension? To me, a new term is when you modify the agreement and it is no longer in effect. Is there an agreement in existing collective bargaining agreements that they have consented to allow that to occur? It is my understanding that it must be in the collective bargaining agreement. They have to consent to this occurring in the future.

**Terry Rubald:**

I think the only thing in NRS 288.150 is the ability to reopen. If we need to rephrase the language to be consistent, we can do that. Suspend to me means

that the existing contract conditions would be subject to renegotiation, which is provided for in NRS 288.150.

[Assemblyman Ellison reassumed the Chair.]

**Assemblywoman Neal:**

You talked about section 9, subsection 5, which is about the additional tax levy, and you also talked about abatements in section 15, subsection 2. You get the ability to add an additional tax levy, which means increased taxes for a period of time. What is the period of time? What if we run into the situation where the tax levy is five years or more? I know you have the repayment provision of two years, but is it a reflection of the tax levy term?

**Terry Rubald:**

This is referring to when the property tax levy increase can be imposed. The two-year term that I was talking about had to do with a loan from the severe financial emergency fund. The levy of the additional property tax is only good for the term of the severe financial emergency, which has to be within three years. In White Pine County, we did not increase the levy of the property tax, but we did increase the levy of the lodging tax and the goods and services tax. The increase was on a year-to-year basis while we were there.

**Assemblywoman Neal:**

In section 15, subsection 2, you provided clarification from the Attorney General's opinion. You are saying it is not subject to the abatement, but we have existing businesses that rely on the abatements that are already in play. The way I understood what you said is that it acts as suspension; the abatements will not be considered, and you will get the entire tax levy. What is the effect on the businesses that are relying on the abatements? They have been in a contract and now there is a chance to suspend the acquisition or what they believe would be the future access to that abatement.

**Terry Rubald:**

This is a limitation for the residential and general abatements only up to a specific percent; it has nothing to do with the abatements that are provided by economic development or renewable energy. Section 15, subsection 2 says "The amount of any tax imposed pursuant to NRS 354.705 and 387.3288 is exempt from each partial abatement from taxation provided pursuant to NRS 361.4722, 361.4723 and 361.4724."

**Assemblywoman Neal:**

You added language in several places in the bill ". . . the local school support tax if the local government is a school district or any other property taxes, taxes on the net proceeds of minerals or grants . . . ." Can you please clarify this?

**Terry Rubald:**

Yes, that language is in section 4, subsection 3 and section 5, subsection 2. It does not have a lot to do with a severe financial emergency. The local government might not be in poor financial condition, but they have failed to produce specific reports that are required under the law such as their audits, budgets, capital improvement plan, debt management plan, et cetera. If they are failing to produce reports or, for example, if they are failing to pay the Public Employees Benefits Program, in order to get them to cooperate, especially if they have shown that they do not have a reasonable explanation for doing those things. Then it is possible to ask the State Treasurer to withhold consolidated tax distribution (CTX), and that is the way the law is today. Some local governments do not receive CTX, so the intent is to have the motivational tool through other taxes such as net proceeds of minerals or property taxes from centrally assessed properties because those are collected by the state.

**Chairman Ellison:**

I would like to get more clarification on section 4, subsection 3. It says ". . . or any other property taxes, taxes on the net proceeds of minerals or grants to which the local government may otherwise be entitled as a distribution from the State." Can you please explain that?

**Terry Rubald:**

This has no relation to being in a severe financial emergency. Right now, if the local government is not reporting properly and there are a lot of reports in NRS Chapter 354 that are required, then the CLGF can request the Department of Taxation to request the State Treasurer to withhold CTX. Some local governments, such as school districts, do not receive CTX, so the next logical thing to do is withhold net proceeds of minerals or the centrally assessed property tax on the airlines and the railroads that the Department of Taxation collects and distributes to the counties.

**Chairman Ellison:**

Have you ever had a mining company not report their net proceeds of minerals to the county?

**Terry Rubald:**

This does not apply to the taxpayer; this applies to the local government.

**Chairman Ellison:**

I thought the mining companies had to file with the state.

**Terry Rubald:**

No, what happens with net proceeds of minerals is it is administered by the Department of Taxation, and the taxpayer reports and pays to the Department. The Department then distributes those monies back to the county for distribution to the various entities. What this bill does is when there is a problem with the local government not reporting, we will withhold monies until they report.

**Chairman Ellison:**

I was talking about mining companies not reporting.

**Terry Rubald:**

Mining companies report to the Department.

**Assemblyman Carrillo:**

Section 12 allows a county to take over a municipality in the event that a severe financial emergency may not cease to exist within three years. From the standpoint of police departments, which are currently under NRS Chapter 280, would that be done by the Tax Commission in whatever fashion they decide?

**Terry Rubald:**

I am not sure I understand your question.

**Assemblyman Carrillo:**

If a city is put in a position, how does this affect their contract?

**Terry Rubald:**

Section 12 allows the CLGF to make different kinds of recommendations and if there is a disincorporation or dissolution of the local government, it has to go to a vote of the people. The dissolution of the City of Gabbs was decided by the Legislature; the Legislature revoked the city's charter. If it gets to be bad there is input by the people and/or the Legislature. With regard to any other action or remedy that the CLGF deems appropriate, if it is not dissolution or absorption, they still have to recognize that there are contracts in place, so there has to be a solution. In any case, what is happening here is the CLGF is making a recommendation; they have no ability to enforce or adopt. That is done by the Tax Commission, and that is how it is currently.

**Assemblyman Carrillo:**

On page 10, lines 41 through 45 are struck out; can you clarify why the language is being removed?

**Terry Rubald:**

I am going to have to check on this; I do not recall why it was struck.

**Assemblyman Carrillo:**

If the city goes under, what happens to the contract? Is it suspended?

**Terry Rubald:**

In the event of a suspension of a contract, we are trying to be able to reopen the existing multi-year contracts to renegotiate the terms during the period of a severe financial emergency.

**Assemblyman Carrillo:**

In this case, the contract would be suspended and then it would be reopened for negotiation?

**Terry Rubald:**

That is correct, because there is still NRS 288.150 that requires the contracts to be reopened and renegotiated.

**Assemblyman Carrillo:**

At one point, you said that negotiation would be more for the holders and not so much for the contracts.

**Terry Rubald:**

There are three different groups. Section 8 is about the duties and responsibilities of the Department of Taxation. Section 8, subsection 1, paragraph (e) says, "Impose such hiring restrictions as deemed necessary." Section 8, subsection 1, paragraph (f) says, "Negotiate and approve all contracts . . ." not just collective bargaining agreements, but all contracts. Section 8, subsection 1, paragraph (g) is being amended but what was there was to "Negotiate and approve all collective bargaining contracts . . .," and I believe I have mentioned that would be for the future because they are multi-year contracts. If you read that in conjunction with subsection 2, the suspension means that we can renegotiate right away rather than waiting until the expiration of the multi-year contract term. Section 8, subsection 1, paragraph (j) says, "Meet with the creditors," so we are working with creditors, unions, and all other groups that have a contract. That is all provided for in section 8.

**Assemblyman Carrillo:**

You struck the language at the end of section 8, subsection 1, paragraph (e), "after considering the recommendations of the financial manager." So are we basing it on the finances or the needs of the citizens? You are putting money in front of people in the sense of trying to ensure that they are protected and the services are still there. Without that, what is the point of having services that are downgraded to the point where they are not taking care of the people in the city? Since you are striking the language to remove "financial manager," who makes the decision? I just want to make sure police and fire can respond to the necessary calls. I want to make sure the people are protected, and I am wondering if this language being struck would affect them. Can you tell me why this language was struck?

**Terry Rubald:**

It was an organizational reason because the Department of Taxation is already the financial manager. We might appoint a person to be there on the premises at all times, and you will notice that later on there is an amendment to make sure that it is recognized that the financial manager reports to the Department of Taxation and not to the local government. The Department of Taxation is responsible.

**Assemblyman Carrillo:**

Can you direct me to the amendment?

**Terry Rubald:**

It is in section 8, subsection 6, and it says "A financial manager acting within the scope of his or her delegation pursuant to this subsection is responsible only to the Department for his or her actions." This is for consistency.

**Assemblyman Flores:**

Do private contracts currently include language regarding dissolution due to NRS Chapter 354?

**Terry Rubald:**

We can negotiate and approve all future contracts, but existing contracts cannot be dissolved.

**Assemblyman Flores:**

It is not the intent of the definition of "holder" to give the authority to come back and affect current contracts?

**Terry Rubald:**

The definition of "holder" is the groups allowed to come to the table. Currently, in the requirements in section 8, we are required to meet with the creditors of the local government. The purpose of adding the definition of "holder" was to ensure that people like insurers of the bonds would also be able to sit at the table. We already have the requirement in law, and we are to meet with the creditors to establish a debt liquidation program.

**Chairman Ellison:**

What happens if a contract is being negotiated and they are in the middle of a project and they do not have the ability to pay? At that point in time do you

**Terry Rubald:**

Section 8, subsection 1, paragraph (f) allows us to negotiate and approve all contracts entered into by the local government. This is for the future. You cannot break an existing contract. If the contracts have reopen clauses, then the Department of Taxation would take advantage of those as we could, but we do not have the ability to break contracts.

**Assemblyman Carrillo:**

Section 8, subsection 1, paragraph (g) says that the Tax Commission would take over the obligation under the collective bargaining agreement, but this would not include issues that have been submitted to an arbitrator or the Local Government Employee Management Relations Board. Why is that?

**Terry Rubald:**

I believe it is because of how it works with section 8, subsection 2, where the contract could be suspended.

**Assemblyman Carrillo:**

It seems that the arbitrator might be making decisions that would benefit the municipality. If they had been sent to a binding arbitration, would that create an issue?

**Terry Rubald:**

I do not know the answer to your question. I will research this and get you an answer.

**Chairman Ellison:**

Does anyone have any more questions? I see no one. Will anyone in favor of the bill please come forward?



**Brian McAnallen, Government Affairs Manager, City of Las Vegas:**

We support the efforts of the Department of Taxation to come up with some changes that we think are warranted and improve the existing language that we have all been operating under. Now that we have had some experience with this, we think that it is a step in the right direction and appreciate their efforts to make the language more functional.

**Jeff Church, Private Citizen, Reno, Nevada:**

*Nevada Revised Statutes* (NRS) Chapter 354 is essentially a one-trick pony, raising taxes for taxpayers. I do believe in sharing the wealth and pain, so I strongly believe this bill must give the CLGF or the financial manager the power to suspend labor contracts only during a fiscal emergency, and that should include non-fiscal staffing issues. For example, if the police department is working a 4-day, 10-hour schedule and the administrator wants to change the schedule to a 5-day, 8-hour schedule for the benefit of the citizens, they should be able to do that. My understanding is that the financial manager does become the city council, mayor, or et cetera, so she needs to have extensive powers to do what she needs to. I interpret "suspend" to mean "suspend." If this is a fiscal emergency, then we have to act quickly in negotiation. Dragging things out might cause a bad result of having the municipality disbanded because they could not get anything done.

In regard to the ability of the financial manager to lay off or suspend employees, does that include elected officials? If so, it would motivate elected officials to get their act together. What happens to the debt if the government is disbanded? What happens to all of the bonds and labor obligations? I get lifetime health care for retiring with the City of Reno, so I am assuming if the City of Reno were dissolved, I would lose my health care, is that true?

Section 8, subsections 2 and 7, if bonds are in forbearance, as the City of Reno currently has, will that potentially trigger a severe fiscal emergency or a fiscal watch?

**Chairman Ellison:**

Does anyone have any questions? [There were none.] Is anyone else in favor of the bill? [There was no one.] Is anyone in opposition?

**Rusty McAllister, President, Professional Fire Fighters of Nevada:**

The Professional Fire Fighters of Nevada, along with the Clark County Firefighters Local 1908, and the Combined Law Enforcement Association of Nevada have submitted a proposed amendment ([Exhibit F](#)). I would like to discuss a few concerns that we have with the language that is in the bill and

some of the amendments that have been proposed, and then I would like to talk about our amendment.

Many of the questions we had are some of the same questions that the Committee members have asked. Section 8, subsection 1, paragraph (g) says "assume all the rights and obligations of the local government under any collective bargaining contracts . . . ." What we heard in testimony earlier is that section 8, subsection 1, paragraph (f) addresses that, but it does not match with the language in section 8, subsection 2 that says "suspend in whole or in part any collective bargaining agreement . . . ." Section 8, subsection 1, paragraph (f) just allows the ability to negotiate all contracts that the municipality may enter into. If we are talking about private companies that have contracts, this bill does not say that they are going to reopen the contracts or suspend them; it just says that they will agree or approve any new or existing contracts. If there is already a contract that is in place, we do not believe that they can set it aside unless they put specific language in the bill that says it can be suspended. This is similar to what they are trying to do in section 8, subsection 2, saying that the contract will be suspended.

We submitted an amendment that addresses part of section 8. This bill only talks about collective bargaining agreements. We have found that there are numerous contracts with appointed employees and non-collective bargaining employees in the local governments, and there is nowhere in this bill that addresses opening or suspending their contracts or taking on the obligations. We tried to add in language that helps define the contracts. If they are going to do it to collective bargaining agreements, why not do it with everybody?

We tried to come up with a compromise with regard to section 8, subsection 2 by deleting the language that says they are going to suspend the contracts. One of the problems that we have come across over the course of time with some of the local governments that have had financial issues is that we cannot get the financial information. As employees, or employee organizations, they are not providing us with the financial information. They are telling us they are having financial problems and that they are in trouble; therefore, they shut down units or lay us off, but we want to be shown what the problem is and we can work with them. With the entities that have done that, we have come to solutions with resolutions to the issues. During negotiations with one of the entities that I work with, they came to us and said that they wanted a 5 percent pay cut for the next two years, and we wanted to look at the issues and finances. They showed us the issues, and we found other areas within the contracts where we could give them the amount of revenue they needed. Through the contract negotiation process, we came up with resolutions to solve their financial issues.

This section would just suspend the contract and essentially impose whatever they want. We tried to come up with a middle ground asking to appoint a mediator. They are free, and they are in Las Vegas already. The mediator would step in and mediate a solution in a very timely fashion. The amendment would require that both parties come to the table and discuss the financial issues within the contract, and the mediator would discuss with both entities ways to come to solutions to help find some financial relief for the local government.

The Tax Commission was not in support of this amendment. I understand their concern about timeliness. There might be a way to do it in a more timely fashion other than a mediator by having the financial manager step in with both parties. North Las Vegas is a perfect example of how this works well. Ultimately, the Governor and Assemblywoman Kirkpatrick stepped in and mediated a resolution in two hours, but they stepped in with all of the information and laid it out. It can be fixed if someone steps in to help us.

The last point that I wanted to address was in regard to the definition of "holder." I know that the bond insurer stepped up and talked about making sure they had a seat at the table. If I am reading this amendment correctly, we would not be a holder, and under the amendment in section 4, subsection 3, in the event the distribution is withheld, the State Treasurer shall not withhold from the local government distributions necessary to timely pay holders. If the state is holding money back, they are setting this up so that they will be paid first, maybe at the expense of everybody else. It would appear to us that this puts them at the top to be paid. There are articles and references out there that talk about other entities, Detroit, Michigan, San Bernardino, California, places like that, where the bondholders wanted at least equal footing, and we are not against having equal footing and everybody gets a seat at the table and everybody is paid in some fashion, but this would appear they are paid first.

Section 8, subsection 1, paragraph (j), talks about meeting with creditors and holders and negotiating in good faith. Referencing back to section 8, subsection 2, it does not talk about negotiating in good faith with us. It will just suspend our contracts. It does not say that it opens our contracts for negotiations; in literal language it says the contract will be suspended. One of the Committee members mentioned that. It does not appear to open the contract as discussed. It just says suspend. We would like to have the ability to negotiate in good faith too.

**Assemblywoman Neal:**

The way that the procedures are laid out in this bill, do you think it kind of extends the line of administrative remedies that you have to go through? Let us

say something goes awry, and you want to file an injunction or try to take this to court. You now have to exhaust your administrative remedies, which have now been enlarged, and you have to go through all of these processes in order to get standing before you actually get yourself in court. That worried me because some of the remedies in the language in section 12, which allowed them to do any other action or remedy that the Committee deemed appropriate, kind of left it as a catch-all phrase because how do I know when I have exhausted my remedy?

**Rusty McAllister:**

We understand the concerns of the Department of Taxation and the need for timeliness, and when we talked to Terry Rubald, she was very cooperative with us. We would like to continue working with her to come up with some solutions that address her concerns as well as ours. If both sides did not come to the table, there are provisions in contracts already where they have the ability to get really tough if they had to. They could add into the contract provisions for reduction in force. If that is what we have to do, we will. You will find that there will not be any local collective bargaining agreement team that will not come to the table, have a meaningful discussion, and seek resolution, especially if they are faced with losing their members.

**Chairman Ellison:**

We are out of time and will have to reschedule this bill. We need to get it right. Many questions have to be answered. Can the two men in Las Vegas come back later this week?

**Leonard Cardinale, President, North Las Vegas Police Supervisors Association:**

Yes sir, I can come back.

**John Faulis, Chairman, Las Vegas Police Managers and Supervisors Association:**

I can come back as well.

**Chairman Ellison:**

We just want to make sure this bill is correct. I am going to close the hearing on A.B. 54. Is anyone here for public comment? Seeing none, we are adjourned [at 10:45 a.m.].

[([Exhibit G](#)) was presented but not discussed and is included as an exhibit for the meeting.]

RESPECTFULLY SUBMITTED:

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Jordan Neubauer  
Committee Secretary

APPROVED BY:

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Assemblyman John Ellison, Chairman

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

**EXHIBITS**

**Committee Name:** Committee on Government Affairs

**Date:** March 2, 2015

**Time of Meeting:** 9:02 a.m.

<b>Bill</b>	<b>Exhibit</b>	<b>Witness / Agency</b>	<b>Description</b>
	A		Agenda
	B		Attendance Roster
A.B. 54	C	Terry Rubald / Department of Taxation	Prepared Text
A.B. 54	D	Terry Rubald / Department of Taxation	Amendment
A.B. 54	E	Barbara Flickinger / National Public Finance Guarantee Corporation	Prepared Text
A.B. 54	F	Rusty McAllister / Professional Fire Fighters of Nevada	Amendment
A.B. 54	G	Joshua Hicks / National Public Finance Guarantee Corporation	Amendment