

**MINUTES OF THE MEETING OF THE  
ASSEMBLY COMMITTEE ON WAYS AND MEANS  
AND  
SENATE COMMITTEE ON FINANCE  
SUBCOMMITTEES ON K-12/HIGHER EDUCATION/CIP**

**Seventy-Eighth Session  
April 28, 2015**

The joint meeting of the Assembly Committee on Ways and Means and Senate Committee on Finance, Subcommittees on K-12/Higher Education/CIP was called to order by Chair Ben Kieckhefer at 8:08 a.m. on Tuesday, April 28, 2015, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4412E 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).

**SENATE SUBCOMMITTEE MEMBERS PRESENT:**

Senator Ben Kieckhefer, Chair  
Senator Michael Roberson  
Senator Debbie Smith

**ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:**

Assemblyman Pat Hickey, Chair  
Assemblyman Derek Armstrong, Vice Chair  
Assemblyman Paul Anderson  
Assemblywoman Teresa Benitez-Thompson  
Assemblywoman Marilyn K. Kirkpatrick  
Assemblyman Randy Kirner  
Assemblyman James Oscarson  
Assemblywoman Heidi Swank



**STAFF MEMBERS PRESENT:**

Mark Krmpotic, Senate Fiscal Analyst  
Cindy Jones, Assembly Fiscal Analyst  
Brody Leiser, Program Analyst  
Carol Thomsen, Committee Secretary  
Cynthia Wyett, Committee Assistant

After call of the roll, Chair Kieckhefer opened public comment, and there was no public comment to come before the Subcommittees. The Chair asked Fiscal Analysis Division staff to proceed with budget closings.

**FINANCE & ADMINISTRATION**

**DEPARTMENT OF ADMINISTRATION**

**ADMINISTRATION - SPWD - ADMINISTRATION (101-1540)**

**BUDGET PAGE ADMIN-135**

Brody Leiser, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that all three budget accounts to be considered by the Subcommittees were previously heard on February 13, 2015. Budget account (BA) 1540 was the Administration account for the State Public Works Division (SPWD), Department of Administration, and the major closing issue was the establishment of a reserve in the base budget. The Governor recommended establishing a reserve category for the 2015-2017 biennium. By comparison, said Mr. Leiser, the legislatively approved budget for the current biennium did not authorize a reserve within the budget account.

Mr. Leiser said SPWD indicated that the reserve was needed to reduce the administrative burden should the budget need to be adjusted during the interim. The Department of Administration further explained that unanticipated personnel and operating fluctuations had occurred during the current biennium. In fiscal year (FY) 2014, there was a shortfall in personnel costs, and to address that shortfall, work programs had been processed within BA 1540 and the four budget accounts that paid the cost allocation to support the SPWD Administration budget.

Based on the action taken in FY 2014, said Mr. Leiser, the mechanisms and processes were already in place to adjust the budget if unanticipated expenditure shortfalls or fluctuations occurred during the biennium. Over the past two years, other than the personnel shortfall noted, the budget had been

fairly stable and had not experienced significant future fluctuations. The SPWD testified during the previous budget hearing that a 30-day reserve was established in response to the shortfall in FY 2014. The agency further testified that a reserve was a more efficient method to address unanticipated shortfalls. The agency recognized that there were current mechanisms in place, but found that processing work programs for each of the budgets affected by a shortfall was a burdensome process.

Mr. Leiser stated that in an effort to prevent a similar situation during the 2015-2017 biennium, Fiscal Analysis Division, Legislative Counsel Bureau, staff had reviewed the positions in the budget and made technical adjustments to two positions to reflect the step levels of the existing incumbents. With the technical adjustments noted, two of the three classified positions in the budget were at a step 10; therefore, the agency should not experience a shortfall similar to the one that occurred in FY 2014. With the technical adjustment as noted, the existing mechanisms and processes already in place to make necessary adjustments in the interim, and because it was a stable budget, Fiscal Analysis Division staff recommended that the Subcommittees eliminate the reserve in BA 1540.

The decision, said Mr. Leiser, was whether the Subcommittees wished to approve establishment of a reserve in the base budget of \$76,695 in FY 2016 and \$78,212 in FY 2017, as recommended in The Executive Budget.

Alternatively, said Mr. Leiser, did the Subcommittees wish to eliminate the reserve of \$76,695 in FY 2016 and \$78,212 in FY 2017 in the base budget, and authorize Fiscal Analysis Division staff to make technical adjustments within this budget and within other department budgets that paid the cost allocation to BA 1540.

ASSEMBLYWOMAN KIRKPATRICK MOVED THAT THE SUBCOMMITTEES ELIMINATE THE RESERVE OF \$76,695 IN FISCAL YEAR 2016 AND \$78,212 IN FISCAL YEAR 2017 IN THE BASE BUDGET AND AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS IN BUDGET ACCOUNT 1540 AND OTHER DEPARTMENT OF ADMINISTRATION BUDGET ACCOUNTS THAT PAID THE COST ALLOCATION TO BUDGET ACCOUNT 1540.

SENATOR SMITH SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Roberson was not present for the vote).

Continuing his presentation, Mr. Leiser stated there were four other closing items; however, there were no technical adjustments in those closing items. Fiscal Analysis Division staff recommended approval of the other closing items as recommended by the Governor with authority for Fiscal Analysis Division staff to make technical adjustments as necessary.

ASSEMBLYMAN ANDERSON MOVED THAT THE SUBCOMMITTEES APPROVE OTHER CLOSING ITEMS AS RECOMMENDED BY THE GOVERNOR AND AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR SMITH SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Roberson was not present for the vote.)

**FINANCE & ADMINISTRATION  
DEPARTMENT OF ADMINISTRATION  
ADMINISTRATION - SPWD - ENGINEERING AND PLANNING (101-1562)  
BUDGET PAGE ADMIN-141**

Brody Leiser, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated there were two major closing issues in budget account (BA) 1562.

The first major issue, said Mr. Leiser, was the recommendation from the Governor for inspection fee revenue of \$401,397 in fiscal year (FY) 2016 and \$538,826 in FY 2017 to support three new project manager and three new building construction inspector positions beginning October 1, 2015. The positions were needed based on the anticipated level of services required to support the 2015 Capital Improvement Program (CIP). Mr. Leiser noted that a technical adjustment had been made to include costs of \$19,970 over the 2015-2017 biennium for the purchase of computers and to fund travel and training for the new positions.

Mr. Leiser said the State Public Works Division (SPWD), Department of Administration, testified during the budget hearing on February 13, 2015, that staffing levels for project manager and inspector positions were determined by the estimated number of hours needed over the upcoming biennium to provide services for the SPWD's work on existing and recommended CIP projects. The agency went through an exercise that estimated the number of project management hours and inspection hours needed for each individual project that was recommended for the 2015 CIP. The agency also estimated those same hours for any existing projects that were still active from the 2013 CIP, including any projects that needed to be extended from prior CIPs.

The decision, said Mr. Leiser, was whether the Subcommittees wished to approve inspection fee revenue of \$415,399 in FY 2016 and \$544,794 in FY 2017 to fund three new project manager positions and three new building construction inspector positions, and associated operating costs, as recommended by the Governor, with the technical adjustment noted by Fiscal Analysis Division staff.

SENATOR SMITH MOVED THAT THE SUBCOMMITTEES APPROVE INSPECTION FEE REVENUE OF \$415,399 IN FISCAL YEAR 2016 AND \$544,794 IN FISCAL YEAR 2017 TO FUND THREE NEW PROJECT MANAGER POSITIONS AND THREE NEW BUILDING CONSTRUCTION INSPECTOR POSITIONS, AND ASSOCIATED OPERATING COSTS, AS RECOMMENDED BY THE GOVERNOR, WITH THE TECHNICAL ADJUSTMENT NOTED BY FISCAL ANALYSIS DIVISION STAFF.

ASSEMBLYMAN HICKEY SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Roberson was not present for the vote.)

Mr. Leiser informed the Subcommittees that the Fiscal Analysis Division had received budget amendment A150231562 to add a new project manager position to BA 1562, which would bring the total of new positions to seven.

During the budget hearing, said Mr. Leiser, the agency testified that it was currently in the process of reviewing the recommended staffing levels for the Governor's recommended CIP, which had added projects and costs to the State Public Works Board (SPWB) 2015 CIP recommendation.

The Governor's recommended CIP added three major construction projects, one additional maintenance project, and one additional planning project.

Mr. Leiser stated that after the agency's review of the effects of the additional projects, the State Public Works Division (SPWD) determined that an additional project manager position would be necessary, and the budget amendment was submitted on March 10, 2015, to add the new position.

The decision, said Mr. Leiser, was whether the Subcommittees wished to approve the project manager position in budget amendment A150231562 and fund the position with inspection fee revenues of \$103,320 in FY 2016 and \$131,723 in FY 2017.

Because the position levels in BA 1562 were dependent upon future action by the Subcommittees and the Assembly Ways and Means and Senate Finance Committees, Fiscal Analysis Division staff would request authority to make any technical adjustments to staffing levels based on the Subcommittees' closing action in the 2015 CIP.

ASSEMBLYMAN KIRNER MOVED THAT THE SUBCOMMITTEES APPROVE THE PROJECT MANAGER POSITION IN BUDGET AMENDMENT A150231562, FUND THE POSITION WITH INSPECTION FEE REVENUES OF \$103,320 IN FISCAL YEAR 2016 AND \$131,723 IN FISCAL YEAR 2017, AND AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS TO STAFFING LEVELS BASED ON THE SUBCOMMITTEES' CLOSING ACTION IN THE 2015 CAPITAL IMPROVEMENT PROGRAM.

SENATOR SMITH SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Roberson was not present for the vote.)

Mr. Leiser indicated that there were no technical adjustments in the other closing items. Fiscal Analysis Division staff recommended approval of other closing items as recommended by the Governor, with authority for Fiscal Analysis Division staff to make technical adjustments as necessary.

ASSEMBLYMAN KIRNER MOVED THAT THE SUBCOMMITTEES APPROVE OTHER CLOSING ITEMS AS RECOMMENDED BY THE GOVERNOR AND AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR SMITH SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Roberson was not present for the vote.)

**FINANCE & ADMINISTRATION**  
**DEPARTMENT OF ADMINISTRATION**  
**ADMINISTRATION - SPWD - BUILDINGS & GROUNDS (710-1349)**  
**BUDGET PAGE ADMIN-153**

Brody Leiser, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that there were two major closing issues in budget account (BA) 1349. The first major issue was deferred maintenance projects. The Governor recommended \$1,113,302 in fiscal year (FY) 2016 and \$845,000 in FY 2017 for deferred maintenance projects. The Buildings and Grounds (B&G) Section, State Public Works Division (SPWD), Department of Administration, indicated that deferred maintenance projects were prioritized based on the following factors, which were not listed in priority order:

- Projects that would provide the greatest benefit for B&G facilities.
- The timeline and anticipated completion of projects.
- The potential for inclusion in future CIPs.
- The prioritization for life safety projects and emergency projects.
- The availability of applicable project management staff.
- The ramifications of deferring projects.

Mr. Leiser noted that B&G indicated there was a backlog of \$308.5 million in deferred maintenance projects statewide, which excluded the Nevada System of Higher Education (NSHE) and the Department of Transportation facilities.

The decision, said Mr. Leiser, was whether the Subcommittees wished to approve building rent revenue of \$1,113,302 in FY 2016 and \$845,000 in FY 2017, as recommended by the Governor, to fund deferred maintenance and building renovation projects.

ASSEMBLYWOMAN KIRKPATRICK MOVED THAT THE SUBCOMMITTEES APPROVE BUILDING RENT REVENUE OF \$1,113,302 IN FISCAL YEAR 2016 AND \$845,000 IN FISCAL YEAR 2017, AS RECOMMENDED BY THE GOVERNOR, TO FUND DEFERRED MAINTENANCE AND BUILDING RENOVATION PROJECTS.

SENATOR SMITH SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

The second major closing issue, said Mr. Leiser, was the new program officer position in decision unit Enhancement (E) 226. The Governor recommended \$110,694 over the biennium for a new program officer position and associated operating costs beginning in October 2015. The position would work in the B&G Leasing Services Unit, and would oversee, plan, coordinate, and direct the operations of the licensing boards and commissions portion of the statewide leasing program.

Mr. Leiser stated the position would also be responsible for the SPWD's inventory database of all leased property. The agency indicated that the increased workload in the Leasing Services Unit was the result of B&G's increased responsibility to negotiate and prepare leases for all licensing boards and commissions for the Department of Transportation, the Department of Public Safety, and the Department of Motor Vehicles.

The B&G indicated that in FY 2014 the Leasing Services Unit provided oversight for 297 leases. By comparison, said Mr. Leiser, in FY 2011 the Leasing Services Unit oversaw only 209 leases. The increase was the result of the added responsibility to oversee leases for the aforementioned licensing boards and commissions. The B&G testified that the position would allow the Unit to accommodate the increased workload and provide services to agencies in a timely fashion.



The decision, said Mr. Leiser, was whether the Subcommittees wished to approve lease assessment revenue of \$120,925 over the 2015-2017 biennium, as recommended by the Governor, to fund a new program officer position.

SENATOR SMITH MOVED THAT THE SUBCOMMITTEES APPROVE LEASE ASSESSMENT REVENUE OF \$120,925 OVER THE 2015-2017 BIENNIUM, AS RECOMMENDED BY THE GOVERNOR, TO FUND A NEW PROGRAM OFFICER POSITION.

ASSEMBLYMAN HICKEY SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Mr. Leiser stated there was one adjustment in other closing items regarding the increase in the state-owned building office rent rate. A technical adjustment was made by Fiscal Analysis Division staff in the base budget, increasing the state-owned building office rent revenue by \$53,378 in fiscal year (FY) 2016 and \$102,377 in FY 2017, with equal amounts placed in reserve, to align the revenue in BA 1349 with the amount of rent being charged statewide.

Mr. Leiser said no other technical adjustments had been made by Fiscal Analysis Division staff in other closing items, and staff recommended approval of other closing items as recommended by the Governor, with authority for staff to make technical adjustments as necessary.

ASSEMBLYWOMAN KIRKPATRICK MOVED THAT THE SUBCOMMITTEES APPROVE OTHER CLOSING ITEMS AS RECOMMENDED BY THE GOVERNOR, INCLUDING THE TECHNICAL ADJUSTMENT MADE BY FISCAL ANALYSIS DIVISION STAFF, AND AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR SMITH SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Mr. Leiser indicated that completed the budget closings, and he would commence with the work session for the 2015 Capital Improvement Program (CIP).

Mr. Leiser stated that funding changes had occurred since the 2015 CIP was initially recommended by the Governor. Proposed revisions were received by the Department of Administration on April 17, 2015. Those revisions were based on discussions that took place during the three CIP budget hearings held on February 13, 2015, March 10, 2015, and April 8, 2015, and subsequent meetings with the Department of Administration.

Mr. Leiser pointed out that the first CIP issue was the increase in reallocated funding from existing CIP projects to 2015 CIP projects from \$600,000 to \$4,244,896. He noted that the \$4,244,896 consisted of \$4,004,896 in reallocated bond funding and \$240,000 in reallocated State General Funds. The reallocation of bonds would be from existing projects that were currently active and set to expire June 30, 2015. Mr. Leiser said that because of the savings realized within those projects, funds were available to be reallocated and used to support a portion of the funding for the 2015 CIP.

Mr. Leiser said the second issue was the reduction of the Special Higher Education Capital Construction (SHECC) funding, which was slot tax revenue. The funding had been reduced from \$7.5 million to \$5 million for CIP project 15-M42, which was the Nevada System of Higher Education's (NSHE) deferred maintenance project. The net reduction brought the funding for that project in line with previous budget policy to fund the annual deferred maintenance NSHE project with \$10 million in state funds and \$5 million in slot tax revenue.

The next issue, said Mr. Leiser, was the reduction to the agency funding from \$27.9 million to \$27.4 million, a reduction of approximately \$500,000.

Mr. Leiser noted that another issue involved the changes to CIP project 15-C04, Replace DMV, East Sahara Complex. Project funding had been reduced from \$23,492,130 to \$22,950,650, and the recommended financing approach had been revised. Mr. Leiser stated the Subcommittees reviewed the project on February 13, 2015, when it initially included \$23,492,130 to construct a 38,500-square-foot Department of Motor Vehicles (DMV) service office. The project was originally funded through a lease/purchase financing structure. On April 14, 2015, the Fiscal Analysis Division received a budget amendment that changed the funding for project 15-C04 from a lease/purchase to the issuance of general obligation bonds. Mr. Leiser explained that the debt service on the bonds would be paid from the State Highway Fund and funding from the DMV Pollution Control account.

Continuing, Mr. Leiser indicated that the Department of Administration and the Office of the State Treasurer had determined that general obligation bonds would be more cost-effective than the initial lease/purchase proposal for the project. With the lease/purchase financing, there was more risk to the investor, and that method demanded a higher interest rate from the market; the lease/purchase process also required additional approvals and longer lead time requirements for issuing certificates of participation. Mr. Leiser stated the Treasurer's Office estimated a \$1 million savings over the debt-service period by issuing general obligation bonds rather than using the lease/purchase proposal.

Mr. Leiser said a memorandum had been received from the Department of Administration, which indicated the revised financing proposal would not affect future bonding affordability that was paid for by the \$0.17 property tax, and it also would not affect the State Highway Fund bonding capacity for highway projects.

Mr. Leiser noted that funding for 2015 CIP projects would be determined by the closing actions of the Subcommittees as each project was considered for approval. Fiscal Analysis Division staff would identify the recommended funding source, including the specific state funding source, for each project at closing.

Assemblyman Kirner said that as the budget account for the State Department of Agriculture was being considered for closure, that Department indicated it was funding a CIP project at the Metro Building in Las Vegas.

Assemblyman Hickey commented that the Metro Building project would be discussed later during the work session.

Mr. Leiser explained that the Metro Building project was included in the work session, and he would ask that the Department of Administration and the State Public Works Division (SPWD) provide the Subcommittees with an update regarding the current plan for that building.

Assemblywoman Swank asked about the lease/purchase and how that would tie in with the nonappropriation clause.

Mr. Leiser replied that lease/purchase and certificates of participation required a nonappropriation clause. It was his understanding that the nonappropriation clause allowed the lessee to terminate the lease agreement at the end of the

current appropriation period without further obligation. Mr. Leiser further explained that if a future Legislature did not appropriate money to make the lease payments, the lessee could exit the lease agreement, which drove a higher interest rate on the certificates of participation compared to general obligation bonds.

Senator Smith commented that the nonappropriation clause was used during the recent recession.

Mr. Leiser stated that a lease/purchase process was used for financing the Richard H. Bryan Building in Carson City, and the certificates of participation contained a nonappropriation clause. He pointed out that one of the benefits in using a lease/purchase process was when the state was close to its debt capacity limit, as set in the *Nevada Constitution*. Currently, the benefits of the general obligation bonding, and because the state was not close to its debt limit, were parts of the consideration in changing the financing for CIP project 15-C04.

Senator Smith said her point was that the Legislature actually created the nonappropriation clause during the recession.

Mark Krmpotic, Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that the nonappropriation clause was standard boilerplate language in all contracts or leases entered into by the state.

Continuing, Mr. Leiser stated that the next issue was inflationary increases in the CIP projects. The 2015 CIP, as originally recommended, included an annual inflation rate of 4.75 percent. During the budget hearing on February 13, 2015, the State Public Works Division (SPWD) testified that it was reanalyzing the inflationary rate and anticipated the need to revise the 2015 CIP to increase that rate.

Mr. Leiser explained that SPWD used the *Engineering News-Record*, two cost-estimating firms, and information from construction managers and contractors who had worked on CIP projects statewide to devise the inflationary rate. The SPWD also testified that supply and demand was driving inflationary rates: as the economy improved, the demand for work was increasing at a greater rate than the supply of workers and contractors in the state. In addition, said Mr. Leiser, SPWD indicated that inflationary increases were being experienced because of the downstream effects of the Tesla Motors

project and the anticipated work resulting from the extension for school districts to issue general obligation bonds.

On April 17, 2015, said Mr. Leiser, the Department of Administration submitted revisions to the 2015 CIP. Included in those revisions was an increase in the inflation rate from 4.75 percent to 6.75 percent, based on the analysis completed by SPWD. The inflationary increase would add \$2.2 million to the overall CIP project costs, which consisted of \$1.9 million in state funds and \$285,509 in other funds. Mr. Leiser noted that the increase in inflation affected all but 12 projects in the 2015 CIP. The additional costs that resulted from the increase in inflation were recommended to be offset by the recommended elimination of CIP project 15-CO2, Renovation of Building 3A, SNAMHS [Southern Nevada Adult Mental Health Services], and a portion of the increase in reallocated bond funds that were identified as available for the 2015 CIP.

Mr. Leiser indicated that the decision to be made was whether the Subcommittees wished to approve the increase in the inflation rate from 4.75 percent to 6.75 percent based on the analysis completed by SPWD for the applicable projects in the 2015 CIP.

Chair Kieckhefer noted that the Department of Administration had submitted an unsolicited fiscal note for Senate Bill 392, a bill he had sponsored. The cost outlined in the fiscal note was related directly to the bidding process amendments that would take place within the bill. Chair Kieckhefer said he had met with SPWD and various other procurement entities throughout the state, and there was a general dislike of those amendments; he noted the bill was an ongoing work in progress. The fiscal note was \$2,621,094 in fiscal year (FY) 2017 and an equal amount in future biennia.

Continuing, Mr. Leiser stated that CIP project 15-S08, Statewide Energy Efficiency Program, was presented to the Subcommittees on March 10, 2015. The project originally recommended \$1 million in state funds and \$21,014,148 in general obligation bonds, to be repaid with state agency funds, to perform energy retrofit and renewable energy projects. Fiscal Analysis Division staff noted that the \$1 million in state funds would be general obligation bonds and would be repaid by the traditional property tax. Of the \$21 million in bonds that would be repaid with agency savings, \$3.1 million was recommended to be Qualified Energy Conservation Bonds (QECBs). Mr. Leiser explained that QECBs were authorized by the Energy Improvement

and Extension Act of 2008, and funding for the program was then increased by Congress in 2009.

As recommended, said Mr. Leiser, the debt service would be paid from estimated agency savings realized from decreased utility costs. Concerns were expressed during the March 10, 2015, hearing regarding the budget and mechanics for participating agencies that would be responsible for debt-service payments, the risk involved with committing agency budgets to the debt service, and the actual savings that would be realized from the energy efficiency projects.

Mr. Leiser stated that testimony was provided at the March 10, 2015, hearing by the State Public Works Division (SPWD), Department of Administration, and the Governor's Office of Energy (GOE), which discussed the similarities and differences between the CIP Statewide Energy Efficiency Program and the existing Performance Contract Audit Assistance Program (PCAAP) administered by the GOE. The PCAAP provided monetary assistance for a financial-grade operational audit for eligible Nevada governmental entities that chose to enter into a Performance Contract for Operating Cost Savings Measures. Mr. Leiser explained that the financing used cost savings from reduced energy consumption to repay the cost of installing energy conservation measures.

Mr. Leiser noted that, as offered by energy service companies (ESCOs), the financing method allowed users to achieve energy savings without up-front capital expenses, because the cost of the energy improvements were borne by the ESCOs and repaid out of the realized energy savings. The main differences between the GOE program and the Statewide Energy Efficiency Program within the CIP were that the GOE program was funded by a third party, an internal energy audit was completed as part of a performance-based contract, and the energy savings were guaranteed over a 20-year period.

Mr. Leiser stated that a revised cost estimate was received on April 17, 2015, that reduced the general obligation bonds to be repaid with state agency funds from \$21 million to \$20,769,293 because the projects identified for the Department of Employment, Training and Rehabilitation and the State Department of Agriculture had been removed from the Statewide Energy Efficiency Program.

Regarding the budgetary mechanics, said Mr. Leiser, the participating agencies would require a dedicated expenditure category identified in their budgets for the purpose of making debt-service payments. The expenditure authority was not included in The Executive Budget for the agencies identified to participate in the program. The agencies would be required to submit a work program for consideration by the Interim Finance Committee (IFC) to establish the debt-service expenditure and reduce the utility costs. Mr. Leiser stated that was based on the assumption that energy savings would be realized and that there would not be an increase in utility rates or an increase in use by participating agencies. In addition, said Mr. Leiser, the program would also require a commitment in future budget cycles to have the debt-service expenditure authority budgeted in each agency's budget until the time the debt service was retired.

Mr. Leiser noted that it appeared a contingency plan had not been developed in the event that the utility savings were not realized to cover the debt service. As recommended, and as noted, the debt service would be paid by agency savings because of a decrease in utility costs. Mr. Leiser stated that the financing would have to be secured, construction on the project would have to be completed, and the agency would need to have realized savings in time for the agencies to make the first debt-service payment on the bond. If an agency did not have sufficient utility savings, the agency would be required to identify savings in other expenditure categories to meet the debt-service requirement.

According to Mr. Leiser, if an agency did not have sufficient utility savings in its budget as a general obligation of the state, the State General Fund or funding from the Consolidated Bond Interest and Redemption Fund would be required to meet the debt service. If that occurred and a draw was required from the reserve in the Fund, it could affect future bonding affordability of the state and/or increase the ad valorem rate.

Mr. Leiser said the State of Nevada was authorized to issue \$27 million in Qualified Energy Conservation Bonds (QECBs), and as of November 2013, there was \$18.8 million in authorized but unissued QECBs. The \$3.1 million figure recommended for CIP project 15-S08, Statewide Energy Efficiency Program, was based on the state's allocation. The remaining authorized but unissued QECBs were tied to local governments and/or Native American tribe shares. Mr. Leiser said the State Public Works Division indicated that the City of Henderson and the City of North Las Vegas had agreed to reallocate their existing QECB allocations of \$2.6 million and \$2.2 million, respectively,

if the Legislature approved CIP project 15-S08. Mr. Leiser indicated that he had requested that commitment in writing, but it had not yet been provided.

The major incentive to the state for issuing QEGBs, said Mr. Leiser, was that the U.S. Department of the Treasury provided a subsidy back to the state of up to 70 percent of the interest costs. As such, the payback period and debt service paid by the agencies might be reduced compared to projects funded with non-QEGB tax exempt bonds. The SPWD was requesting flexibility for the Office of the Treasurer to make the final determination regarding the financing of projects within the program through QEGBs.

Mr. Leiser noted that when QEGBs were issued, the state was required to spend 100 percent of those proceeds within a three-year period. Therefore, when a project was funded through QEGBs and came in under budget, the SPWD would need the flexibility to use any savings on another project to ensure that 100 percent of the bonds were spent within the appropriate time frame. The SPWD recommended that if the Statewide Energy Efficiency Program was approved, the funding for individual projects within the program not be limited to QEGBs, but that the funding authorize general obligation bonds of the state and that the specific financing vehicle be determined at a later date by the Treasurer.

Mr. Leiser noted that *Nevada Revised Statutes* (NRS) 341.083 required the State Public Works Board (SPWB) to schedule funding for design and planning efforts in one biennium and funding for construction in the subsequent biennium for each project that exceeded \$10 million. Mr. Leiser stated Fiscal Analysis Division staff had asked SPWD whether consideration of NRS 341.083 was required for the Statewide Energy Efficiency Program because the cost was over \$20 million. Mr. Leiser said SPWD indicated it had not limited the project to design and planning, because none of the individual projects within the program exceeded the \$10 million limit.

Mr. Leiser noted that there were several options for consideration by the Subcommittees:

- A. Approve \$21.8 million in funding for CIP project 15-S08, Statewide Energy Efficiency Program, as recommended by the Governor, including the revision received on April 17, 2015.



- B. Limit the project to the LED lighting projects because of the known return on investment for those type of projects. Fiscal Analysis Division staff estimated construction costs, including allowances and contingency costs, of \$9.9 million for the LED lighting projects and high mast cables and operators. That estimate did not include the professional services costs.
- C. Limit the project to only be financed with the \$1 million in state funds for the high mast cables and operators and only for those projects that would be eligible for QECBs program, with the understanding that the costs for eligible projects might exceed the amount of QECBs authorized for state use. Based on information provided by the agency, there was about \$13 million in project costs that would be eligible for the QECBs program.
- D. Limit the project to design and planning efforts only, consistent with the requirements of NRS 341.083, or design and planning efforts and a reduced scope of work as determined by the Subcommittees to establish the program, as recommended, as a pilot program.
- E. Not approve CIP project 15-S08, Statewide Energy Efficiency Program.

Regarding option B, Mr. Leiser noted that the agency had testified during the budget hearing that the required energy consumption for the existing lighting could be easily compared to the proposed LED lighting, because the kilowatts for each was known and the savings from those projects appeared to be a more straightforward calculation.

Assemblywoman Kirkpatrick commented that she had met with Gustavo Nuñez, Professional Engineer (P.E.), Administrator, State Public Works Division, Department of Administration, and requested additional information, which she had not yet received. Assemblywoman Kirkpatrick stated she was uncomfortable with the funding for the project; she was a supporter of energy efficiency projects throughout the state, but she was uncertain regarding how the energy cost savings would be measured. She did not think the state should take on the risk because costs could change in the future, which could reduce the energy cost savings.

Chair Kieckhefer said he shared similar concerns about the financing process for the project and what the consequences might be to the budget over a long-term basis. He asked Assemblywoman Kirkpatrick whether she was leaning toward option E, not to approve CIP project 15-S08.

Assemblywoman Kirkpatrick stated that was correct: she would suggest that the Subcommittees consider option E.

Chair Kieckhefer did not believe the Subcommittees had to commit to a formal motion at the present time, and they would provide further direction to Fiscal Analysis Division staff when the 2015 CIP was closed.

Mr. Leiser stated the next issue was CIP project 15-C78, Hotel College Academic Building, UNLV. The project was heard on March 10, 2015. The Governor originally recommended \$48,790,834 to construct a new 93,500-square-foot hotel college academic building at the University of Nevada, Las Vegas (UNLV). Initially, the recommendation included \$23,895,417 in state funding and \$24,895,417 in donor funding. As recommended, said Mr. Leiser, UNLV would oversee and provide project management for the construction of the building as a pilot program, which represented a new approach and policy change regarding projects that received state funding in the CIP.

Mr. Leiser said the State Public Works Division (SPWD) traditionally provided both project management and inspection services for CIP projects approved by the Legislature. As recommended in the CIP, the SPWD would only be responsible for the necessary inspection services. During the previous budget hearing, the Department of Administration and the Nevada System of Higher Education (NSHE) testified that the recommendation would serve as a pilot program and was recommended in an effort to realize efficiencies in construction of the building. In addition, UNLV testified that it would adhere to the applicable statutes in Chapter 341 of *Nevada Revised Statutes* (NRS). That chapter was specific to the State Public Works Board (SPWB) and the SPWD. Chapter 341 also included project-specific requirements such as reporting requirements to the Interim Finance Committee (IFC) and the requirement to seek IFC approval during the interim if there was a scope change in the project that resulted in a 10 percent increase or decrease in the square footage or in project costs.

Mr. Leiser noted that as discussed during the budget hearing, there was a \$500,000 State General Fund appropriation in UNLV's state-supported operating budget to support the construction costs for the project. He stated that on February 27, 2015, the Fiscal Analysis Division received a revision from the Budget Division, Department of Administration, requesting an adjustment to the funding mix for the project. The request increased state funds by \$500,000, in essence moving the \$500,000 General Fund appropriation out of UNLV's state-supported operating budget and including that funding in CIP project 15-C78. Mr. Leiser indicated that the revision also reduced the agency or donor funding by an equal amount. That revised cost estimate reflected a 50:50 split of state funds and UNLV donor funds at \$24.4 million each; the overall project total costs remained the same at about \$48.8 million.

In response to questions following the budget hearing, said Mr. Leiser, the following items were identified as the anticipated efficiencies of having UNLV manage the project: (1) the state financial contribution would be a fixed amount; (2) NSHE and UNLV had experience with construction of other university donor-funded projects; (3) UNLV staff would manage the project, which allowed SPWD staff to be available for other projects; and (4) SPWD would continue to serve as the building official. In addition, said Mr. Leiser, NSHE indicated that managing the project would help in securing donor funds, because donors were more comfortable when UNLV provided oversight and project management for its construction projects.

Mr. Leiser said the timeline for the project would not be affected regardless of which entity managed the project, and the certificate of substantial completion was estimated to be issued in July 2017. When asked whether there was a difference in the project cost based on whether UNLV or SPWD managed the project, SPWD indicated that \$550,000 in project management costs had been removed, and those costs would be covered by UNLV as the construction manager.

However, said Mr. Leiser, SPWD subsequently informed Fiscal Analysis Division staff that if the Legislature approved the project with SPWD management, it could provide those services within the \$48.8 million cost estimate that was included in the 2015 CIP. Based on that information, it did not appear that there was a financial benefit to the overall project cost by having either UNLV or SPWD manage the project.

Mr. Leiser noted that Fiscal Analysis Division staff met with representatives from NSHE, UNLV, SPWD, and the Budget Division, Department of Administration, on April 20, 2015, to discuss the applicable statutes in Chapter 341 of NRS. If the Legislature approved the project as recommended by the Governor, Fiscal Analysis Division staff would work with the Legal Division, Legislative Counsel Bureau, to ensure that language was included in the CIP legislation that required adherence by UNLV to the applicable statutes in that NRS chapter.

Mr. Leiser indicated that on April 14, 2015, a budget amendment was received from the Department of Administration that recommended the elimination of CIP project 15-C05, Building Renovation, Metro Building. The amendment also reallocated the \$253,752 in state funding to CIP project 15-C78, Hotel College Academic Building, UNLV. Mr. Leiser said the amended proposal increased the total project funding from about \$48.8 million to \$49,044,586, with \$24,649,169 in state funds and \$24,395,417 in UNLV or donor funds.

Part of the budget amendment, said Mr. Leiser, indicated that the increase was being proposed to support project management costs. That appeared to conflict with previous communications that such costs would be covered by UNLV as the construction manager. In addition, with the State Public Works Division confirming that it could manage the project within the \$48.8 million estimate, it would appear that an increase in funding for the project was not necessary.

Mr. Leiser indicated there were two decisions for consideration by the Subcommittees:

- A. Whether to approve the amendment to transfer state funding of \$253,752 from CIP project 15-C05, Building Renovation, Metro Building, to CIP project 15-C78, Hotel College Academic Building, UNLV, for project management purposes, bringing the total funding for the project to about \$49 million.
- B. Whether to approve CIP project 15-C78 with a direct appropriation to UNLV and authorize UNLV to provide project oversight and management, as recommended by the Governor.

For clarification, Chair Kieckhefer asked whether those decisions should be considered independently, and Mr. Leiser stated that was correct.

Chair Kieckhefer asked Mr. Leiser to report the status of CIP project 15-C05, Building Renovation, Metro Building, in Las Vegas.

Mr. Leiser explained that he would recap the project, but perhaps the Subcommittees should ask the Department of Administration to provide an update on the project, including the revisions and discussions that had occurred between the Department and the State Department of Agriculture.

Mr. Leiser explained that the Buildings and Grounds (B&G) Section, State Public Works Division (SPWD), Department of Administration, was currently located in a building in the Sahara Complex in Las Vegas. That building would be demolished to build the new Department of Motor Vehicles (DMV) complex. The B&G staff would, therefore, be moved from that location. As initially recommended by the Governor, said Mr. Leiser, there was a minimal amount of renovation needed for the Metro Building to allow B&G staff to move into that building. If that project was eliminated as initially recommended by the Department of Administration and the State Department of Agriculture, the State Department of Agriculture was going to complete an agency project at cost of approximately \$633,000 to renovate the Metro Building. As recommended, the State Department of Agriculture was going to serve as its own prime contractor and manage the various subprojects.

Mr. Leiser stated that based on the scope of work and the magnitude of the project, both the Assembly Ways and Means and the Senate Finance Committees expressed concern that the State Department of Agriculture did not have the expertise and that the level of work would be more appropriately managed by the State Public Works Division (SPWD). As initially recommended by the Department of Administration, if the State Department of Agriculture were to complete the agency project, it would move into the Metro Building, and B&G staff would be allowed to move into the State Department of Agriculture's building in sufficient time to allow for the demolition of the existing B&G facility, while not affecting the work on the DMV complex. Mr. Leiser noted there were many moving parts to the projects, and several were tied to the Metro Building.

Chair Kieckhefer asked the Subcommittees to discuss option B: whether to approve CIP Project 15-C78 with a direct appropriation to the University of Nevada, Las Vegas (UNLV) and authorize UNLV to provide project oversight and management, as recommended by the Governor.

Assemblywoman Swank stated that SPWD operated for a reason, and she would lean toward maintaining the oversight and management of the project with SPWD rather than UNLV. Assemblywoman Swank said the \$253,752 in the project for the Metro Building that would be transferred to CIP project 15-C78, Hotel College Academic Building, UNLV, did not appear to be necessary, and she wondered whether the funds should remain in CIP project 15-C05.

Assemblyman Kirner said the question of allowing UNLV to provide oversight and manage its own project was no different from allowing the State Department of Agriculture to manage its own project: it appeared to be the same argument.

Chair Kieckhefer believed that UNLV had more construction experience than the State Department of Agriculture, and under state law, UNLV was entitled to manage projects that were funded 100 percent by UNLV. The Metro Building project would be a deviation from that law because the state would relinquish construction within a partially state-funded building to an outside source rather than SPWD.

Assemblyman Kirner recognized that UNLV fell into a different category than the State Department of Agriculture regarding its level of independence, but there were similarities in the two projects.

Assemblyman Anderson agreed that UNLV was more suitable to take on its own projects versus the State Department of Agriculture and other state departments. It was a difficult balance, and the Legislature would be setting a precedent, but Assemblyman Anderson believed the Subcommittees should consider the request. He wondered how the Legislature would receive reports regarding the use of state funds for the project and whether cost overruns would be shared.

Mr. Leiser said, as recommended, the Nevada System of Higher Education (NSHE) and UNLV committed to covering any costs on the construction project that were above and beyond the amount approved in the 2015 CIP. He noted that along with the construction project, the Department of Administration and NSHE indicated that there would be a project requested in the 2017 CIP to cover the furniture, fixtures, and equipment (FF&E) costs. That project would be split 50:50 between state and donor funding. Thus, there would be

additional costs to the state beyond CIP project 15-C78. Mr. Leiser stated that total cost for the FF&E would be approximately \$2.8 million.

Assemblyman Anderson asked whether the 50:50 split was the normal funding split between the state and NSHE.

Mr. Leiser stated it had been a while since there was a major construction project in the CIP for NSHE, and he believed that a 50:50 split had been considered in the past. Initially, when the first planning efforts for the project were approved in 2009, the planning project was funded at a 50:50 split. In the 2013 CIP, when the planning project was revisited, said Mr. Leiser, that funding split shifted to a 60 percent state-funded and 40 percent NSHE-funded project. The construction project that was being recommended in 2015 was back to the 50:50 split.

Assemblywoman Benitez-Thompson said her level of discomfort was that since the Subcommittees had first heard CIP project 15-C78, there was new language that presented it as a pilot project. She believed that UNLV should comply with Chapter 341 of *Nevada Revised Statutes* (NRS). It appeared the state would hand over a check to UNLV without any oversight or accountability regarding how the state funds would be used. Assemblywoman Benitez-Thompson noted that there was an agreement between NSHE and the state about compliance with Chapter 341 of NRS. However, there were issues in that chapter about interpretation and how compliance would work with certain provisions. Assemblywoman Benitez-Thompson said without a full hearing on the pilot program and an understanding of the provisions of Chapter 341 of NRS that NSHE would comply with, she did not understand how the Subcommittees could have a level of fiduciary comfort about the project.

Assemblyman Kirner understood that the state would give NSHE a certain amount of funding, and the remainder of the funding would be provided by NSHE, whether or not that turned out to be a 50:50 split. It appeared that NSHE would guarantee the cost to the state, and NSHE would fund the overruns.

Mr. Leiser stated that was correct. With the recommendation, NSHE and UNLV had committed that the state cost for the construction project would be a fixed amount. If the project was approved, the Legislature would approve total funding for the project, whether or not it was a 50:50 split. If there were overruns in the project, the requirements under NRS Chapter 341 currently

required that scope changes in any project approved by the Legislature that either increased or decreased square footage or costs of the project by 10 percent required approval by the Interim Finance Committee (IFC). Mr. Leiser indicated that any overrun beyond what was legislatively approved had been committed to be funded through NSHE, UNLV, or donor funds. He noted that if the overrun triggered the aforementioned 10 percent scope change, UNLV would be required to approach IFC for approval.

Assemblyman Kirner asked whether the contribution by the state was a fixed amount or whether the state would share in cost savings.

Mr. Leiser said that Chapter 341 of NRS also provided for the spending of funds for projects that had multiple funding sources. There was a hierarchy of the funds that were spent first, and UNLV and NSHE recognized that requirement. Based on that requirement, the donor funds would be spent first before spending state funds, providing the Legislature approved the project as recommended.

Assemblyman Kirner said if the Subcommittees wanted to approve the project as a pilot program, it seemed there should be some guarantees to the state other than those included in Chapter 341 of NRS.

Assemblywoman Swank asked whether there was a way for collaboration between UNLV and the State Public Works Division regarding the project; perhaps there could be a joint effort toward collaborative project management that would give the state additional oversight of the project, while allowing UNLV to buy in with donor funding.

Chair Kieckhefer pointed out that the inspections would be performed by SPWD, but a hybrid model of management had never been discussed, and he was unsure of the answer. He was not aware of any examples of that type of management in previous CIP projects.

Mr. Leiser stated that Chair Kieckhefer was correct about the SPWD participation in the project. The SPWD would be responsible for conducting the inspections as the state building official. The SPWD currently provided those services to NSHE and was required to provide those services for projects that had been completed and funded entirely by the universities, NSHE, or through donations. Mr. Leiser said the process was currently being used in



projects entirely funded through NSHE, when university staff provided project management and SPWD provided the inspection services.

Mr. Leiser believed that previous NSHE projects that included state funding had always been managed by SPWD. There had never been a project approved in the CIP with state funding for which SPWD did not provide project management. Mr. Leiser said that for university projects previously funded through the CIP, it was his understanding that the university's professional staff who were involved in those projects worked hand-in-hand with SPWD.

Senator Roberson did not believe there had ever been a NSHE project like project 15-C78, where there was a 50:50 funding split between the donor community and state funds. He restated that Chapter 341 of NRS provided that any cost savings would revert to the state.

Chair Kieckhefer opined that there were additional questions that had not been fully explored, and the project would be revisited when the 2015 CIP was closed. Chair Kieckhefer asked whether, under Chapter 341 of NRS, sales tax would be paid on the purchase of materials for the project.

Mr. Leiser stated there was nothing in NRS Chapter 341 that required sales tax to be paid.

Chair Kieckhefer believed there was a line item in the project's scope for sales tax.

Mr. Leiser stated that following the budget hearing, the follow-up questions submitted to the Department of Administration included the question about whether the project costs, as recommended, included funding to pay sales and use tax. The Department of Administration answered in the affirmative that the funding for sales and use tax was included. Mr. Leiser said there was approximately \$1.35 million estimated within the project to pay sales and use taxes, and that was based on the estimated cost of the building materials.

Chair Kieckhefer asked about the overall contingency for the project. Mr. Leiser replied that the construction contingency in the most recently revised cost estimate was \$2,106,014.

Senator Smith believed there was a bill in the Assembly that dealt with the sales tax issue. Chair Kieckhefer said the issue addressed by the bill was that NSHE could enter into bulk purchase agreements whereby it would not be required to pay sales tax because it was a component of the state, which was different from a SPWD project for which contractors purchased the materials and paid sales tax.

Chair Kieckhefer noted there were still several questions about the decisions to be made by the Subcommittees regarding CIP project 15-C78 that would be considered when the 2015 CIP was closed.

Continuing, Mr. Leiser noted that he had previously recapped CIP project 15-C05, Building Renovation, Metro Building, and he would outline the decisions to be considered by the Subcommittees. After those decisions were outlined, Mr. Leiser suggested that the Subcommittees ask the Department of Administration to provide the most current update regarding the intent for the Metro Building.

Mr. Leiser indicated that the three decisions to be considered by the Subcommittees were:

- A. Whether to approve CIP project 15-C05, Building Renovation, Metro Building, as recommended by the Governor.
- B. Whether to approve the amendment to cancel CIP project 15-C05, Building Renovation, Metro Building, and transfer state funding of \$253,752 to CIP project 15-C78, Hotel College Academic Building, UNLV.
- C. Whether to increase the scope of CIP project 15-C05, Building Renovation, Metro Building, to include the renovations needed to facilitate the State Department of Agriculture's request to move its Las Vegas staff into that building, funding the increase with agency funds.

Jim R. Wells, CPA, Interim Director, Department of Administration and Interim Chief of the Budget Division, stated that the Department of Administration, the Office of the Governor, the State Department of Agriculture, and the State Public Works Division (SPWD) had met twice in the last week to discuss the renovations that were proposed by the State Department of Agriculture in its budget amendment that was submitted after budget closings.

Mr. Wells believed that the project would be run by SPWD using the funds that were available in the State Department of Agriculture's budget, as well as some additional freed-up funds from CIP projects. The current Metro Building project was more encompassing than that originally envisioned by the State Department of Agriculture. He noted the project would deal with the prevailing wage issues that were brought up during the Department's budget closing. Mr. Wells said the project would also resolve building code issues within the Metro Building when it was upgraded for the State Department of Agriculture.

Mr. Wells said the current plan was that the State Department of Agriculture would move into the Metro Building, and the Buildings and Grounds Section, State Public Works Division, Department of Administration, would move from its current location into the State Department of Agriculture's current building. That would allow the current B&G building to be demolished to accommodate construction of the new DMV complex.

Chair Kieckhefer asked about the price tag on the CIP project.

Mr. Wells replied that the Department of Administration was working on the final numbers; all parties involved had recently met to go over the costs. He believed that the total project with all costs associated with the contractor, as well as the management costs for SPWD and prevailing wage contracts, would amount to approximately \$1.9 million.

Chair Kieckhefer asked whether the Metro Building project could be completed on time to meet the work schedule for the DMV complex.

Mr. Wells replied that one of the overarching factors of the move was to make sure that SPWD and B&G vacated their buildings in time for the DMV complex project to commence on October 1, 2015. Mr. Wells advised the Subcommittees that there was a plan in place to make sure the projects commenced on schedule. There were also at least two contingency plans to ensure that SPWD and B&G vacated their buildings on time. Temporary housing or use of mobile trailer space was one contingency plan; the second plan was to have personnel of the State Department of Agriculture work remotely, which had occurred on a frequent basis, and have B&G staff move into the State Department of Agriculture's building.

Assemblyman Kirner noted that the estimated costs by the State Department of Agriculture versus the SPWD estimate had almost tripled for the Metro Building. He presumed that there would be prevailing wage issues and code upgrades, but there had to be other construction going into the building to justify the tripled costs. He asked about the \$253,752 that was originally included in the Metro Building project that would be transferred to CIP project 15-C78, Hotel College Academic Building, UNLV, and the new funding source for the Metro Building project.

Mr. Wells concurred that the cost for the Metro Building renovation had almost tripled, and there were several reasons for the cost increases. That was the reason the Department of Administration had met with the State Department of Agriculture and the SPWD on April 27, 2015. Some of the cost increases related to built-in contingency funding; the use of contractors, which added costs; and the additional costs built in to ensure that the work that would be completed by the State Department of Agriculture would comply with building codes. Rather than use the State Department of Agriculture's original estimate, the project contained more encompassing estimates that included replacement of the roof, addition of a sprinkler system to the building, and certain plumbing needs. Mr. Wells said questions could be answered by SPWD or the State Department of Agriculture regarding some of the components of the project. Some components appeared to be beyond the scope of what the State Department of Agriculture needed in the building.

Regarding the funding, Mr. Wells stated that the Department of Administration had identified available funds from projects that had been completed that could be used to fund the balance of project 15-C05.

Assemblyman Kirner asked whether the amount of \$253,752 would be transferred to CIP project 15-C78, Hotel College Academic Building, UNLV, and Mr. Wells replied that was correct.

Assemblywoman Swank asked about the current rent costs for the State Department of Agriculture in order to ascertain what savings the state would realize because of the relocation.

Mr. Wells replied that the State Department of Agriculture owned its current building and the project would be a building swap. Part of the proposed savings was moving the Department's commodity foods program, which currently paid a \$60,000 annual lease, into the Metro Building.

Assemblyman Kirner asked about the savings that would occur by creating a laboratory in the Metro Building for the State Department of Agriculture.

Mr. Wells replied that the revised project included construction of three different laboratories, and the revised project would ensure that all laboratories were built to code with the appropriate equipment and safety features. The laboratories would also meet the heating, ventilating, and air conditioning (HVAC) requirements.

Chair Kieckhefer said it appeared that existing CIP project 15-C05 would be eliminated, and the amount of \$253,752 would be transferred to CIP project 15-C78, Hotel College Academic Building, UNLV, and he was unsure whether that transfer of funds was necessary. Chair Kieckhefer said it also appeared there was an alternate source of funding for the \$2 million project at the Metro Building.

Mr. Wells replied that was correct. Part of the \$2 million in funding was the balance remaining in the 2015 CIP projects. After the reallocations had been completed, there was approximately \$500,000 left on the CIP ledger, and that funding would be used for the Metro Building. There was also \$680,000 from either the State Department of Agriculture or the Risk Management Division, Department of Administration, for the HVAC units. Mr. Wells stated there were some fiscal year (FY) 2013 CIP projects that were now complete, and there was additional funding available.

Mr. Leiser said that based on testimony provided by Mr. Wells, the bond funds had all been reallocated, and if the Department of Administration intended to use \$500,000 left on the CIP ledger, the State General Fund appropriation would need to increase from \$6,870,079 to approximately \$7.4 million with the addition of \$500,000. He wanted to make sure that was noted for the record for the Subcommittees.

Mr. Wells replied that his figures differed somewhat from those provided by Mr. Leiser. His figures indicated that there was a balance of approximately \$500,000 on the CIP ledger. Mr. Wells noted that part of the funding was available because two projects were proposed for elimination, CIP project 15-C02, Renovation of Building 3A, SNAMHS [Southern Nevada Adult Mental Health Services], and project 15-M36, Fire Station Upgrades, Kyle Canyon Fire Station.

Chair Kieckhefer asked whether the \$253,752 that was originally proposed in CIP project 15-C05, Building Renovation, Metro Building, was adequate to rehabilitate the building to allow the Buildings & Grounds Section, State Public Works Division, Department of Administration staff to move into the Metro Building.

Gustavo Nuñez, P.E., Administrator, State Public Works Division, Department of Administration, stated the \$253,752 was the original estimate to move B&G staff into the Metro Building, where staff would remain for the next five years.

Chair Kieckhefer noted there had been many moving parts to the project since the beginning of session. There were many uncertainties that included (a) whether the \$253,752 should be transferred from project 15-C05 to project 15-C78, and (b) the State General Fund appropriation level that would be necessary for the full renovation of the Metro Building for the State Department of Agriculture. Chair Kieckhefer asked Mr. Leiser to meet with Mr. Wells and provide information about those uncertainties when the 2015 CIP was closed.

Continuing his work session presentation, Mr. Leiser said the next issue was CIP project 15-M36, Fire Station Upgrades, Kyle Canyon Fire Station. The project was heard on February 13, 2015, and as initially submitted, the Governor recommended \$378,372 in state funding to upgrade the 1,500-square-foot Kyle Canyon Fire Station to meet current code for facility use and provide necessary protection from erosion and rock fall around the site. Mr. Leiser stated that following the budget hearing, information was received from the State Department of Conservation and Natural Resources (DCNR) regarding the efforts of the Division of Forestry to transfer the all-risk fire districts back to local government. Specifically, the Division of Forestry was currently working with Clark County to complete that portion of the transfer.

Mr. Leiser stated DCNR indicated that the fire station transfer to Clark County would be complete by June 30, 2015. Because the code issues had been identified and had been discussed by the Division of Forestry and Clark County, there was the potential scenario of addressing or funding the construction, or a portion of the construction, to complete the code upgrades as part of the transfer. Because the transfer would be completed by June 30, 2015, it would not benefit the state to include the project in the 2015 CIP. However, said Mr. Leiser, consideration might be given to transferring state funds to

Clark County to pay the necessary construction costs to bring the facility back into compliance with current codes.

Mr. Leiser said there were three decisions to be considered by the Subcommittees:

- A. Approve CIP project 15-M36, Fire Station Upgrades, Kyle Canyon Fire Station, as recommended by the Governor, with work to be completed after the land transfer.
- B. Eliminate CIP project 15-M36, Fire Station Upgrades, Kyle Canyon Fire Station, and recommend the Assembly Ways and Means and the Senate Finance Committees consider a fixed General Fund appropriation to Clark County to fund construction efforts to complete necessary code upgrades at the Kyle Canyon Fire Station.
- C. Eliminate CIP project 15-M36, Fire State Upgrades, Kyle Canyon Fire Station.

Assemblyman Oscarson stated he had been to the Kyle Canyon Fire Station on numerous occasions, and he understood the issues and concerns. He opined that the amount of money requested in the CIP project would not begin to fix the problems at the Kyle Canyon Fire Station.

Chair Kieckhefer said it appeared inappropriate for the state to approve a CIP project for land and a building it no longer owned. He would not recommend that the Subcommittees proceed with the CIP project and continue discussions with Clark County regarding the transfer. He said he would favor the aforementioned option B to eliminate CIP project 15-M36, Fire Station Upgrades, Kyle Canyon Fire Station, and recommend the Subcommittees consider a fixed General Fund appropriation to Clark County to fund construction efforts to complete necessary code upgrades at the Kyle Canyon Fire Station. Chair Kieckhefer asked that Mr. Leiser remind the Subcommittees about option B when the 2015 CIP was closed.

The final issue in the 2015 CIP, said Mr. Leiser, was project 15-C02, Renovation of Building 3A, SNAMHS. The Governor initially recommended state funding of \$861,575 to "harden" the facility at the Southern Nevada Adult Mental Health Services (SNAMHS), Division of Public and Behavioral Health, Department of Health and Human Services (DHHS), so it could be used for

forensic beds if the need arose. Mr. Leiser indicated the facility was currently used for civil beds; however, DHHS indicated that Building 3A would be closed over the 2015-2017 biennium because of unanticipated budgetary shortfalls in the SNAMHS budget and also because of a reduction in the forensic bed needs in southern Nevada.

Mr. Leiser said the Department of Administration recommended that CIP project 15-C02 be eliminated from the 2015 CIP, and that the funding be used to cover a portion of the inflationary costs throughout the 2015 CIP.

The decision for consideration by the Subcommittees, said Mr. Leiser, was whether to approve including CIP project 15-C02, Renovation of Building 3A, SNAMHS, in the 2015 CIP.

Mr. Leiser noted that DHHS presented a budget amendment to the Subcommittees on Human Services on April 23, 2015, to address the shortfalls and, as part of that presentation, indicated that Building 3A, SNAMHS, would be closed during the upcoming biennium.

Chair Kieckhefer said for those who were not members of the Subcommittees on Human Services, the Division of Public and Behavioral Health, DHHS, compiled a very comprehensive strategy for dealing with the shrinking inpatient needs because of the additional capacity available in the private sector. Despite the state having recently funded renovations on Building 3A, it appeared that there was a lack of need for the building in the immediate future.

Assemblyman Oscarson concurred with Chair Kieckhefer's assessment, and even though there might be other opportunities for use of the building, he believed the decision to close the building was prudent.

Chair Kieckhefer opened public comment, and there was no public comment to come before the Subcommittees.



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With no further business to come before the Subcommittees, Chair Kieckhefer adjourned the hearing at 9:49 a.m.

RESPECTFULLY SUBMITTED:

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Carol Thomsen  
Committee Secretary

APPROVED BY:

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Senator Ben Kieckhefer, Chair

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

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Assemblyman Pat Hickey, Chair

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

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**EXHIBITS**

**Committee Name:** Subcommittees on K-12/Higher Education/CIP

**Date:** April 28, 2015

**Time of Meeting:** 8:08 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster