

**LOCAL GOVERNMENT
FISCAL NOTE**

AGENCY'S ESTIMATES

Date Prepared: April 8, 2017

Agency Submitting: Local Government

Items of Revenue or Expense, or Both	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Effect on Future Biennia
Total	0	0	0	0

Explanation

(Use Additional Sheets of Attachments, if required)

See attached.

Name Michael Nakamoto

Title Deputy Fiscal Analyst

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

Local Government Responses
A.B. 406 / BDR 28 - 781

City/County: City of Henderson Approved by: Mike Cathcart, Business Operations Manager Comment: The fiscal impact of the legislation cannot be determined at this time.				
Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

City/County: City of Reno Approved by: Tillery Williams , Management Analyst Comment: Fiscal impact cannot be determined at this time. The lowering of the minimum threshold for prevailing wage requirements from \$250,000 to \$25,000 will cause a majority of the City's Public Works projects and contracts to be subject to prevailing wage. The potential fiscal impact would include the need for additional staff to monitor the rate of wages and ensure compliance with prevailing wage for every contract. Currently, staff only needs to monitor contracts over the \$250,000 statutory threshold.				
Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

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

Approved by: Michelle Thackston, Administrative Assistant

Comment: As it relates to economic development the reduction of the Prevailing Wage threshold from \$100,000 to \$25,000 in Section 21 limits the ability of the City's Redevelopment Agency to provide meaningful incentives to small businesses. A small business is not going to have the capacity to prepare bi-weekly certified payroll records on such small projects. Prevailing Wage increases construction labor costs, pushing rents and purchase prices above market rate, making them unfeasible to build. By law Redevelopment Projects would not proceed 'but for' financial incentives from the Redevelopment Agency. Without new development in Redevelopment Areas, blight will return, vacancy rates and unemployment rates will increase, property values will decrease which will result in reduced property tax revenue to every single entity who receives property taxes.

NOTE FOR FIGURES ABOVE...

Additional personnel cost above--Estimate of personnel costs for additional staff needed to perform the additional prevailing wage monitoring requirements for public works projects between \$25,000 and \$250,000.

Use of LCPTracke Software--for additional personnel to use compliance software, i.e. LCPTracke

Public Works Projects--additional costs for public works projects if the prevailing wage threshold is lowered.

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$189,000	\$199,000	\$209,000	\$438,000

City/County: **City of Sparks**

Approved by: Jeff Cronk, Financial Services Director

Comment: Reducing the threshold for the payment of prevailing wages from \$250k to \$25k would likely result in higher (although unquantifiable) costs to the City as the minimum wage on smaller projects would rise. Additionally, the paperwork required on behalf of the contractor and oversight requirements by the City would rise with such a change. The additional work and projects costs might drive smaller contractors away from these smaller jobs. That lack of competition may also affect the price of bids submitted to the City over time.

Under current law, projects valued between \$25k and \$100k are generally solicited in an "informal" manner as allowed under NRS where 3 quotes are solicited in a faster process than a traditional formal-bid project. Layering prevailing wage requirements into an informal process may cause less companies to participate.

These are all reasons to expect that costs will rise as a result of the passage of this bill, however, the extent of the impact is really impossible to quantify.

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

City/County: **Carson City**

Approved by: Nancy Paulson, CFO

Comment: This would have a significant impact on Carson City, but the amount cannot be determined at this time

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

City/County: **Clark County**

Approved by: David Dobrzynski, Asst Director of Finance

Comment: Bill revises prevailing wage requirements; Section 4 of this bill reduces the prevailing wage minimum requirement from \$250,000 to \$25,000. Prevailing wage is determined by the Labor Commission, if the Labor Commission finds that the wage rate is the same for more than 50% of the total hours worked, then that wage is considered the prevailing wage. Section 3 of this bill will reduce the percentage requirement from 50% to 30%. Section 3 also will force the school district to pay 100% of the prevailing wage eliminating their 10% exception.

Section 12 of this bill makes "the cost of work, plus a fee, with a guaranteed maximum price" the only pricing method for a contract with a construction manager at risk. Eliminated the "Fixed Price, and Fixed Price plus reimbursement for certain costs and expenses".

Bill could have major impact on the cost of public work projects. Contractor's construction costs will increase as the percentage threshold for prevailing wage decreases from 50% to 30%. With the minimum cost of a project qualifying for prevailing wage changing from \$250,000 to \$25,000, additional projects will be required to pay the prevailing wage, which will increase the total cost of the projects.

Fiscal impact to Clark County cannot be determined at this time.

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

City/County: **Churchill County**

Approved by: Eleanor Lockwood, County Manager

Comment: If BDR 28-781 were to pass, it would create a significant negative fiscal impact on Churchill County. By lowering the threshold from \$250,000 to \$25,000 for applying prevailing wage on public works projects, would essentially place this requirement on nearly every public works project. Prevailing wage would increase the overall cost of the projects, by as much as 50% or more, and seems like an irresponsible use of taxpayers money. As an example of average wage versus prevailing wage for three types of positions (wages taken from Union websites):

Laborer: \$15 to \$20 per hour / prevailing wage: \$33.42

Carpenter: \$22 to \$33 per hour / prevailing wage: \$41.96

Electrician: \$25 to \$30 per hour / prevailing wage: \$53.79

In addition to the significantly increased labor costs, with almost every public works project being subject to prevailing wages, there is an additional fiscal impact to Churchill County for the increased staff time involved in payroll certifications and audits, as required by law. The exact fiscal impact would depend on the type and scale of the project, but Churchill County has serious concerns that passage of BDR 28-781 would greatly inhibit our ability and that of many other local governments from being able to afford any public works projects.

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$0	\$100,000	\$100,000	\$100,000

City/County: **Douglas County**

Approved by: Carl Ruschmeyer, Public Works Director

Comment: The full financial impact of the bill cannot be determined. Section 4 decreases the minimum threshold for the applicability of the prevailing wage requirement from \$250,000 to \$25,000. Lowering this threshold will result in higher costs to deliver a Public Work. The direct impact of this change is increased construction costs due to higher wages. The indirect impacts results from the administrative time necessary to track and verify wage compliance. The financial impact is approximately \$2,500 per year per public work.

NRS 338.030 2 (C)lowers the threshold from 50 to 30 percent of the total hours worked by each trade or craft in establishing the prevailing wage. Lowering this threshold may result in establishing higher wages for certain trades, resulting in higher labor costs on a Public Work.

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

City/County: **Esmeralda County**

Approved by: Michael Anderson , Public Works

Comment: Has Impact

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

City/County: **Washoe County**

Approved by: Jamie Rodriguez , Management Analyst

Comment: The imposition of prevailing wages on all projects over \$25,000 will increase construction costs to Washoe County by approximately 15-18% (section 4). The impact for the currently proposed CIP of this alone would be approximately \$460,000 at 15% of those projects estimated below \$250,000. Additionally inclusion of projects completed and delivered to Washoe County by the development community (sections 15-33), specific to sewer installation and subdivision infrastructure may create a push for the development community to have the county construct the infrastructure rather than build and dedicate as is the current practice. This will increase the project management costs to Washoe County and may even increase the connection fee necessary for each home constructed. It is hard to quantify an actual dollar impact associated with all parts of this proposed bill.

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

School District: **Carson City School District**

Approved by: Andrew J Feuling, Director of Fiscal Services

Comment: Every project on our capital improvement plan is in excess of \$25,000, so the impact is significant. We assume that the cost of every project not currently under prevailing wage to increase by 30% in cost. This would be extremely detrimental to the already very limited resources we have to expand/maintain our aging facilities. This would force us to put off projects and have the exponential growth in deferred maintenance costs only hamstringing us more.

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$437,586	\$208,500	\$120,000	\$250,000

School District: **Clark County School District**

Approved by: Dillon Kay, Assistant Budget Director

Comment: The labor portion of the construction contracts for public works projects would increase by 10%. The impact is estimated in the range of \$75 million to \$80 million over ten years or \$7.5 million to \$8.0 million per year, depending on the kind of construction work that the full program would address. Due to the program is scheduled to last 10 years, the full scope of project types will change, fluctuation in cost of materials, and other market factors could impact the value significantly. There is also the \$250,000 back down to \$25,000 to meet the criteria for public works projects. This will be insignificant to our program due to the fact that most of the contracts we do are over \$25,000.

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$0	\$7,500,000	\$7,500,000	\$7,500,000

School District: Douglas County School District Approved by: TWhite, Superintendent Comment: It is difficult to calculate the impact of this bill due to the fact that future projects have yet to be determined. The impact of changing the regulations regarding the prevailing wage on projects will have a financial impact on the district for future projects.				
Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

School District: Lincoln County School District Approved by: Pam Teel, Superintendent Comment: time always matters with construction. unclear on impact				
Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

School District Lyon County School District Approved by: Shawn Heusser, Director of Finance Comment: It is important to extend the sunset provision on CMAR.				
Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

School District: Nye County School District Approved by: Kelly Wood, Executive Secretary Comment: This bill would have a significant negative impact for Nye County School District on future capital and other maintenance & repair work the District will complete as it reduces the threshold for the implementation of "Prevailing" wages from the existing \$250,000.00 to just \$25,000.00 contracts. It also will increase the work load and support cost to comply with the requirements of documenting and auditing the certified payrolls that will be require. The actual dollar amount cannot be identified at this time because we do not know how many and at what level future projects will be approved to do.				
Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

School District: Pershing County School District Approved by: Russell D. Fecht, Superintendent Comment: No Impact				
Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
No Impact	\$0	\$0	\$0	\$0

School District: **Washoe County School District**

Approved by: Lindsay E. Anderson, Director of Government Affairs

Comment: Washoe County School District expects to require two administrative clerks at a cost of \$50,000 each for salary and benefits to compile the reporting necessary to comply with lowering the prevailing wage threshold to \$25,000.

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$0	\$100,000	\$100,000	\$100,000

School District: **White Pine County School District**

Approved by: Paul Johnson, CFO

Comment: This BDR will increase the cost of smaller projects by as much as 25% depending on the project. Based on current capital funds, the District can expect increased labor costs of approximately \$50,000 per year. The amount would be higher but the District only has annual capital funds of approximately \$250,000 per year to spend. This means that we will have even fewer facility improvements with the existing, limited amount of funding.

Impact	FY 2016-17	FY 2017-18	FY 2018-19	Future Biennia
Has Impact	\$0	\$50,000	\$50,000	\$100,000

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