

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

**Eighty-third Session
February 20, 2025**

The joint meeting of the Subcommittees on K-12/Higher Education/CIP of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chair Marilyn Dondero Loop at 8:06 a.m. on Thursday, February 20, 2025, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 2 of the Nevada Legislature Hearing Rooms, 7120 Amigo Street, Las Vegas, Nevada. [Exhibit A](#) is the agenda. [Exhibit B](#) is the attendance roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau. Link to [Executive Budget](#). Link to [Budget Amendments](#).

SENATE SUBCOMMITTEE MEMBERS PRESENT:

Senator Marilyn Dondero Loop, Chair
Senator Nicole J. Cannizzaro
Senator Carrie Ann Buck
Senator Jeff Stone

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

Assemblymember Shea M. Backus, Chair
Assemblymember Sandra Jauregui, Vice Chair
Assemblymember Gregory T. Hafen II
Assemblymember Gregory S. Koenig
Assemblymember Daniele Monroe-Moreno
Assemblymember PK O'Neill
Assemblymember Selena Torres-Fossett
Assemblymember Steve Yeager

COMMITTEE MEMBERS ABSENT:

Senator Dina Neal (Excused)

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STAFF MEMBERS PRESENT:

Wayne Thorley, Senate Fiscal Analyst
Julie Waller, Principal Deputy Fiscal Analyst
Brody Leiser, Chief Principal Deputy Fiscal Analyst
Helen Wood, Committee Secretary
Dee Chekowitz-Dykes, Committee Secretary

OTHERS PRESENT:

Cari Eaton, Deputy Treasurer, Debt Management, Office of the State Treasurer
Erik Jimenez, Chief Policy Deputy, Office of the State Treasurer
Wilfred J. Lewis, Jr., Administrator, State Public Works Division, Nevada
Department of Administration
Kent Choma, Deputy Administrator, Buildings & Grounds Section, State Public
Works Division, Nevada Department of Administration
Brian Wacker, Deputy Administrator, Professional Services Section, State Public
Works Division, Nevada Department of Administration
Jack Robb, Chief Innovation Officer, Office of the Governor
J.J. Goicoechea, Director, State Department of Agriculture
Stacey Montooth, Executive Director, Nevada Department of Native American
Affairs

CHAIR DONDERO LOOP:

Today is the first of three anticipated hearings related to the Governor's recommended Capital Improvement Program (CIP) for the upcoming biennium.

We begin with the Treasurer's Office, budget account (B/A) 395-1082, Bond Interest and Redemption Fund. The Treasurer's office will also be presenting bond recommendations related to the State Infrastructure Bank (SIB).

ELECTED OFFICIALS

Treasurer - Bond Interest & Redemption — Budget Page ELECTED-328
(Volume I)
Budget Account 395-1082

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CARI EATON (Deputy Treasurer, Debt Management, Office of the State Treasurer):

Article 9, Section 3, of the Nevada State Constitution permits the State to contract public debts, levy taxes for the payment of that debt and appropriate revenues sufficient for the repayment of the debt as shown in our budget presentation ([Exhibit C](#)).

Nevada Revised Statutes (NRS) 226.110 states the State Treasurer is directly responsible for the issuance of that debt. The Bond Interest and Redemption Fund (BIRF) was established by NRS 349.080 through 349.140 for the purpose of providing the payment of bonds that may have been or may be issued pursuant to any act of Legislature. All monies to be received on account of, and for the purpose of, any debt issued are to be used for the redemption and interest of that debt as well as any fees that are accounted for are in this fund.

The Debt Management Division oversees the state debt portfolio which includes the issuance of debt disbursement of proceeds, payment of issuance costs, collection of debt receivables from other state agencies and entities, payment of debt service, post issuance monitoring, and compliance and ongoing disclosure. We are the primary representative of the State concerning the bond credit rating agencies.

The state debt portfolio includes approximately \$2.6 billion of debt for 18 programs as well as approximately \$161 million of school district bonds through the Permanent School Fund Guarantee Program. Of that portfolio, approximately \$958 million is self-supporting debt for Highway Revenue Bonds and Certificates of Purchase Lease Agreements with no general obligation pledge. Approximately \$293 million is self-supporting debt with a general obligation pledge. The remaining \$1.39 billion is general obligation debt paid with property tax revenue from the 17 cent per \$100 property tax assessment.

Budget Account 395-1082 reflects the requirements of the BIRF. The BIRF receives revenues from ad valorem taxes, appropriations from other budget accounts per authorizing statutes and interest earnings on the fund. The BIRF pays for principal and interest of the debt, cost of issuance, paying agent trustee and arbitrage calculation fees, and professional services.

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The Executive Budget includes a few enhancement units in this budget account. Decision unit E-236 is changing the funding source of the SIB from B/A 395-1082 to B/A 101-4672.

E-236 Economic Growth & Business Development — Page ELECTED-329

Treasurer - Nevada State Infrastructure Bank — Budget Page ELECTED-323
(Volume I)
Budget Account 101-4672

E-505 Adjustment To Funding Source — Page ELECTED-325

Decision units E-237, E-505 and E-905 move the expense for our debt management software system from B/A 101-1080 to B/A 395-1082 and increases the authority for the change over from our MunEase database, which is outdated, to our new DebtBook system.

Treasurer - State Treasurer — Budget Page ELECTED-314 (Volume I)
Budget Account 101-1080

E-237 Economic Growth & Business Development — Page ELECTED-319
E-905 Transfer From State Treasurer To Bond Interest — Page ELECTED-320
E-505 Adj To Trans From State Treasurer To Bond Interest — Page
ELECTED-329
E-905 Transfer From State Treasurer To Bond Interest — Page ELECTED-330

Decision unit E-801 in B/A 395-1082 allocates costs related to the requested administrative services officer III [position] in operations and the new management analyst I in debt management.

E-801 Cost Allocation — Page ELECTED-330

All our performance indicators have been met on timely payment of debt service, debt issuance with constitutionally mandated limits and maintaining a reserve with the BIRF of 100 percent of the next fiscal year's debt service. The reserve balance as of June 30, 2024, was approximately \$307 million or 124 percent of fiscal year (FY) 2024-2025 debt service.

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ASSEMBLYMEMBER BACKUS:

My questions are going to pertain to the general obligation bonding affordability for the next biennium. Specifically, can you discuss the factors the Treasurer's Office took into consideration when identifying the State's bonding affordability?

MS. EATON:

We used our outside municipal advisors for assistance. They look at our entire portfolio, and they look at the market and our tax revenue projections through the Nevada Tax Commission. That is generally what we use for the affordability, is the tax projections.

ASSEMBLYMEMBER BACKUS:

I would also look at what payments have to be. With respect to this topic, the Executive Budget reflects a total projected reserve of \$620.3 million in this budget account at the end of FY 2026-2027. Of the current balance in the budget account, how much reserve funding is associated with interest earnings versus property tax collections? Are there any statutory restrictions as to how interest earnings can be used?

MS. EATON:

I am going to have to probably get more information and get back to you on most of that question. The interest earnings can be used for anything, I believe. But as far as the breakdown, I am going to have to verify.

SENATOR STONE:

Typically, how long are the bonds? Are they 30-year bonds? Can you tell us what the credit rating is of the State as of today?

MS. EATON:

I sure can. The bonds can be anywhere from, say 5 years to 30 years. It depends on the amount, the rates and the amount of recommended payback that the municipal advisors say.

Our credit ratings are AA plus, and they are almost the top ratings and have not changed. Actually, they increased a couple of years ago.

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SENATOR STONE:

That is great to hear. Typically, when we had lower interest rates, was the State in the process of redoing the bonds at a lower interest rate? Obviously, they are much higher now but were we taking advantage of those lower interest rates?

MS. EATON:

Yes, we have been refunding a few bonds and saving the State millions of dollars in the process.

ERIK JIMENEZ (Chief Policy Deputy, Office of the State Treasurer):

The committee members may recall during the last Legislative session through S.B. 10 of the 82nd Session, there was a move for the SIB which was previously under the Nevada Department of Transportation into the State Treasurer's Office. Since that time, we have been kind of standing up that bank, and I am really proud of the work that happened across government to get that moving.

The bank exists to provide loans and other financial assistance to qualified borrowers. It is very important to note the State has a constitutional prohibition to investing or lending money directly to private corporations. The SIB has restrictions on who it can lend to. That includes governmental units, tribal governments and colonies, charitable organizations created for educational purposes and nonprofit organizations as we would see them traditionally.

The SIB is authorized to fund a variety of potential loans that vary from social infrastructure, things like childcare, housing, health care, to things like water, sewer, renewable energy, and things related to public safety and economic development.

As part of the 2021 CIP, the SIB was capitalized with an initial \$75 million of general obligation bonds. We issued those bonds. We do not do this very often in State government, but we issued those as a taxable bond issuance because of the nature of the SIB. We did not know which borrowers were going to come to the Bank. We did not know which projects would be funded with the bond funding. Traditional tax-exempt bond status requires you to have very specific

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project delineation. You will see that in the CIP projects that are coming before you later. Those will usually be done through a tax-exempt issuance.

What that allowed us to do was to earn interest on those monies. So, arbitrage, as we are getting more money for bond payments that had not gone out the door. The SIB has earned several million dollars in interest above those. After we account for the costs of issuance, the total funds that were available to the Bank through capitalization were \$74,620,742. The total amount of SIB loans that have been approved so far is \$74,502,000, leaving \$118,742 in initial bond proceeds available to the Bank. We can talk about the loans that the bank has approved already, but we are at the point where we have expended the bond funds and expect to expend the available interest we have in the Bank.

We have approved a myriad of projects so far. I will not go through all of them. We are very proud of our affordable housing work in the SIB. We are able to fund the largest affordable housing project in state history through a collaboration with the City of Las Vegas, Clark County, the Southern Nevada Building Trades Unions and the AFL-CIO Housing Investment Trust. We have increased the number of units in that project. It will be about 1,600 affordable housing units and marketplace, kind of rent-to-own models, for the residents of east Las Vegas. We are very proud of that.

I would like to get into the Governor's Executive Budget. I will apologize to Fiscal staff because as we have been getting a little more clarity from the Governor's Office and the Governor's Office of Economic Development (GOED), some things have been shifting. The information today is what is proposed in the Executive Budget.

There is \$150 million in proposed general obligation bonds up for your consideration. The Governor is recommending those be spread out into two tranches. The first one is easier, so we can talk about it first. It proposes \$75 million to be offered for traditional loans and other financial assistance offered through the SIB. It is a very similar process to what has already gone out the door. I think we can have a conversation across the Legislative Branch and Executive Branch if there are priorities of what we would like to see those go for. We are happy to have that conversation.

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The additional \$75 million will involve some contemplation of the Governor's economic development bill, which I know has not been introduced. I do not want to steal the Governor's thunder or his staff's thunder, but I know Jack Robb is sitting behind me. There is a provision within that Governor's economic development bill which creates a Community Infrastructure Investment Fund. The proposal in the Governor's bill proposes to allocate \$25 million of General Fund dollars into this fund that would be used first. Then this fund would fund rural housing projects and/or necessary economic development infrastructure projects. Once the first \$25 million proposed in the bill is expended, they would then tap into the additional \$75 million in general obligation bonds that are being recommended in the Executive Budget to support similar projects.

ASSEMBLYMEMBER JAUREQUI:

You might have covered this, but I was busy taking notes because the numbers we received were that \$50 million was going for rural housing and then \$100 million was for other projects. I will get to that because I am a little curious first about the project you just talked about in the City of Las Vegas, the largest affordable housing project. Can you provide us some details on what the SIB's involvement was? Was this a forgivable loan? Did you make the loan? I know you said it is going to be a total of 1,600 units, but how many currently are available?

MR. JIMENEZ:

I am happy to send a full detail on Desert Pines, too, because I am probably going to miss some stuff. We had been involved from a very early on stage. The City of Las Vegas has a golf course, Desert Pines, in east Las Vegas. The City of Las Vegas wanted to get out of the golf course business and build an affordable housing project and did not know what they needed to do—massive infrastructure investment. We have a relationship with the AFL-CIO's Housing Investment Trust, which is largely a mutual fund but has done something like \$10 billion of housing projects across the country. They were sponsoring a project in Northern Nevada as well, so we have kind of a model that we have used with them. We have been kind of talking to the City for a very long time of how they would like to use that land. They went through an RFP process that selected a signatory contractor and developer for that project that had a relationship with the AFL-CIO's Housing Investment Trust.

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It was determined the hardest dollars to fund were the initial horizontal infrastructure dollars for this project—for 1,600 units of affordable housing that vary in terms of income scale, which I can get to you. There is a community college building that is supposed to be built, a workforce training center for the building trades that will be there and an open space community center. It is a master planned community at an affordable rate for the people of East Las Vegas, which we are very excited about.

We are involved very early in the process. The SIB came in with a loan to an organization called Urban Strategies, which is a qualifying nonprofit that does affordable housing work with these partners in other states and a developer partner named McCormack Baron Salazar, who we brought to the State simply because the State has access to capital. They share our values when it comes to labor standards and those sorts of things. We brought that partner together.

It is a 35-year loan with an interest rate of 4.5 percent with an origination fee of \$250,000. It was a \$25 million loan total. We expect this to get paid back way in advance of the 35-year period, essentially because we are doing the horizontal infrastructure, and they are repaid as portions of the vertical infrastructure close. We expect in the next couple of months dispersing those first dollars, but we expect being paid back within several years, I would say within about five years on that project. That was the long answer, but it is important.

ASSEMBLYMEMBER JAUREQUI:

Getting paid back in five years is really good. We will lose it on the interest. I want to come back to the two tranches, and I am going to take the housing portion first.

I know it was originally \$50 million and now it is \$75 million. I think you were covering some of this in your presentation. But, that \$75 million is going to be used as forgivable loans, is my understanding, as forgivable loans to qualified buyers to support rural housing, right? Can you give me more details on how you are going to encourage affordable housing projects in the State?

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MR. JIMENEZ:

Yes, I will pivot some of this because I am trying to relay information from different agencies, but I am also trying to be responsive to the committee.

On the \$75 million, you are correct. The original kind of back and forth on the \$50 million and \$100 million is my mistake. There was kind of some back and forth that I got wrong. The \$75 million is proposed to be basically funded through projects that are eligible through this Community Infrastructure Investment Fund which are outlined in the Governor's bill that could go for two purposes: rural workforce housing projects or economic development projects that are necessary to incentivize a company to come here.

I do not have a ton more detail. That would probably be better suited for the Governor's Office. I will say, we have not contemplated this too much in the SIB process, so far. Traditionally, all my loans are kind of like, we set the standard of there will be an interest rate, there will be a repayment, there will be loan origination fees. I think this will force us to contemplate a new model, recognizing that some of these housing projects in rural communities do not have the ability to pay back at the same level that more traditional housing projects do.

I am interested in learning more from the Governor's bill on what that looks like. We will continue that process. I think from an approval process, at least on this \$75 million, there will have to be some level of component with the GOED Board of Directors, and then it will filter through the SIB approval process. Any dollars that would go through the SIB would still need to be approved by the existing board of directors there.

ASSEMBLYMEMBER JAUREQUI:

There are going to be eligibility requirements. Do you happen to know what those eligibility requirements are?

MR. JIMENEZ:

I do not.

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ASSEMBLYMEMBER JAUREQUI:

You had mentioned normally there are loans with an interest rate and a term. What you just mentioned is that this will be forgivable loans, and then you said also incentives. It is not those, that portion is not going to be loans, they are going to be used as incentives, right?

MR. JIMENEZ:

I think I might have misspoke. I think the use of forgivable loans will be used to incentivize behavior for folks looking to develop within certain communities.

ASSEMBLYMEMBER JAUREQUI:

Will you create the terms of the forgivable loan? If someone does not complete or anything, they will be responsible for the loan. I am assuming it is going to be a forgivable loan if they meet certain requirements. After a certain amount of years the project is complete; if not, then they will be charged the full interest rate for the amount borrowed.

MR. JIMENEZ:

There is obviously going to need to be some collaboration between GOED and SIB and all the interested parties here. Speaking for our financing agreement through the Infrastructure Bank, the one that we use currently was drafted with outside counsel and with the Attorney General's Office, and it is very robust. We have processes in place if there is breach of agreement or remedies or things that we need to do. I would expect there to be similar strong guardrails to make sure that people are doing the things they say they are going to do, to make sure that if we are going to offer them a forgivable loan, they will adhere to the terms of that loan.

CHAIR DONDERO LOOP:

We will move to B/A 710-1349, Buildings & Grounds.

FINANCE & ADMINISTRATION

DEPARTMENT OF ADMINISTRATION

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Administration - SPWD - Buildings & Grounds – Budget Page ADMIN-139
(Volume I)
Budget Account 710-1349

Wilfred J. Lewis, Jr. (Administrator, State Public Works Division, Nevada Department of Administration):

We are pleased to present a very high-level overview of the Governor's budget requests for the State Public Works Division (SPWD) during the 2025-2027 [biennium]. Our goal is to give an overview of the recommended CIPs along with highlights of a few enhancements from B/A 710-1349, Building & Grounds.

We will also cover the CIPs for the Nevada Department of Administration, the State Department of Agriculture and the Nevada Department of Native American Affairs.

Our vision at SPWD is that state agencies will occupy exemplary facilities. Our mission is to provide well-planned, efficient, safe facilities for state agencies so that they can effectively administer their programs. Our philosophy is that we work as a team to build consensus, and we take pride in our work as we serve with humility.

Our budget presentation ([Exhibit D](#) contains copyrighted material. Original is available upon request of the Research Library.) shows the organizational chart for the SPWD. We are part of the Nevada Department of Administration. I report directly to Director Joy Grimmer, and each direct division section is led by a deputy administrator whom you will meet in a minute, who then reports directly to me as the administrator.

Our sections are as follows. Professional Services covers engineering and planning, and we employ licensed and credentialed professionals in a wide variety of disciplines from structural engineers, electrical engineers, mechanical engineers, as well as architects. We also employ industry professionals with backgrounds in pavement, roofing, Americans with Disabilities Act of 1990, As Amended in 2008 (ADA) and environmental issues.

Our deputy over code compliance serves as the building official for the State-owned structures. Those are structures that are on State-owned properties. He is supported by building inspectors as well as industry professionals. You will meet our Building & Grounds Section in a minute. You will meet our deputy administrator. Their responsibilities are to care for all the properties and the buildings that we own. The 60 full-time staff employees look after our State-owned building inventory on a daily basis and this section is also responsible for the care and the maintenance of the Marlette Lake Water System, another jewel of the Sierra right in our own backyard.

KENT CHOMA (Deputy Administrator, Buildings & Grounds Section, State Public Works Division, Nevada Department of Administration):

I am going to discuss some budget enhancements for B/A 710-1349, Buildings & Grounds.

Enhancement unit E-300 transfers authority from Maintenance of Buildings and Grounds, Category 12 to Building Renovation, Category 14. This will also establish the Maintenance of Buildings and Grounds category is for routine building operations such as janitorial services, landscaping, fire alarm and elevator testing. The Building Renovation Category is for all repairs, renovations, preventive maintenance and emergency services work.

E-300 Government Support Services — Page ADMIN-142

Enhancement unit E-333 requests an increase in inmate payroll expenses. We have been seeing an increase in requests for community trustees to support events at the Governor's mansion and have not been able to provide that support due to a lack of budget authority.

E-333 Government Support Services — Page ADMIN-142

Enhancement unit E-335 funds the ongoing utilities for the McCarran Center [Las Vegas] for space that will be occupied in FY 2026-2027.

E-335 Government Support Services — Page ADMIN-142

Enhancement unit E-710 replaces computer hardware and associated software per the Office of Chief Information Officer's recommended replacement schedule.

E-710 Equipment Replacement — Page ADMIN-143

Enhancement unit E-711 replaces computer peripherals that have met end of life cycle—items such as keyboard mice, web cameras and computer headsets.

E-711 Equipment Replacement — Page ADMIN-144

Enhancement unit E-712 replaces three Agency owned vehicles with fleet service vehicles. The vehicles to be replaced are between 16 and 20 years old with between 90,000 and 115,000 miles.

E-712 Equipment Replacement — Page ADMIN-144

Enhancement unit E-713 requests funds for new replacement of hand tools and equipment for 32 Buildings & Grounds staff. These are items such as wrenches, sockets, drills, electrical meters, refrigeration gauges and such.

E-713 Equipment Replacement — Page ADMIN-145

Enhancement unit E-714 funds equipment replacement—this funds the replacement of building equipment whose useful life has expired, and which is unsafe, unreliable or problematic. Examples of these are weed eaters, snowblowers, vacuums and skid steers.

E-714 Equipment Replacement — Page ADMIN-145

Enhancement unit E-720 funds new equipment which will improve efficiencies by enabling staff to complete work assignments without involving outside contractors or vendors for buildings and grounds maintenance and snow removal. Some of these items are ladders, drain cleaning equipment, paint sprayers and a snowplow for a dump truck.

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E-720 New Equipment — Page ADMIN-146

Enhancement unit E-850 funds ongoing repairs and preventive maintenance in the buildings.

E-850 Special Projects — Page ADMIN-146

Enhancement unit E-900 [B/A 710-1349] requests transfers of four positions consisting of two maintenance repair specialists, one custodial worker and one custodial supervisor from Sierra Regional Center, B/A 101-3280 to Buildings & Grounds B/A 710-1349.

E-900 Transfers From Sierra Regional To SPWD, B&G – Page ADMIN-147

HUMAN SERVICES

AGING AND DISABILITY SERVICES

DHS-ADSD - Sierra Regional Center — Budget Page DHHS-ADSD-115
(Volume III)
Budget Account 101-3280

E-900 Transfers From Sierra Regional To SPWD B&G — Page DHHS-ADSD-122

CHAIR DONDERO LOOP:

Has the Division begun to complete any sort of cost-benefit analysis as a result of the building purchases approved last session and the impacts of moving state agencies out of privately owned lease space?

MR. CHOMA:

No, we have not, but we can. Certainly, [it is] something we should do. I am seven months into my position, so I will add that to my to-do list. That would be a valuable tool for tracking.

ASSEMBLYMEMBER TORRES-FOSSETT:

Given the instructions included in the Budget Building Manual, why are there several building repairs and renovation projects with costs that exceed

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\$100,000 that are recommended to be funded through this budget account rather than in a CIP?

MR. CHOMA:

We did have some discussions internally on the most cost-effective way to handle those projects. Running projects through SPWD involves a much larger scope from an overhead perspective. We look at them individually and determine that the most effective way to have the work completed would be to keep them in B/A 710-1349. We are able to function with a much lower overhead than using in-house engineers and architects as the project managers.

ASSEMBLYMEMBER TORRES-FOSSETT:

On the same budget account, can you discuss a distinction between the recommended renovation project to provide an exterior LED lighting upgrade at the Stewart Campus and CIP Project No. 25-C21, which is recommended to install LED area lighting among other things at the Stewart campus.

Project No. 25-C21 – Exterior Quad Lighting (Stewart Facility)

MR. CHOMA:

If you can give me those project numbers, I could research that and return that information back to the group.

ASSEMBLYMEMBER TORRES-FOSSETT:

Yes, it is the CIP Project No. 25-C21.

BRIAN WACKER (Deputy Administrator, Professional Services Section, State Public Works Division, Nevada Department of Administration):

Project 25-C21 at Stewart does overhead lights. They are LED lights at the quad. This is a new light installation that is not connected to the buildings. I suspect that is different than the LED lighting replacement you are doing. Are you doing inside the buildings?

MR. CHOMA:

These would be exterior, but these are fixtures that are already in place or mounted to the sides of the buildings as opposed to pole lighting similar to a

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baseball field, but maybe not quite that big, but pole lighting as opposed to fixtures that are mounted to the buildings.

ASSEMBLYMEMBER TORRES-FOSSETT:

So just to clarify, they are two distinct projects with separate exterior areas that they are going to be used for.

MR. WACKER:

That is correct.

CHAIR DONDERO LOOP:

We can move on to the Capital Improvement Program. As I mentioned earlier, this will be the first of three anticipated hearings related to the Governor's recommended Capital Improvement Program for the upcoming biennium. For convenience, recommended projects have been grouped by Agency. Today, we will hear the projects from the Nevada Department of Administration, State Department of Agriculture and the Department of Native American Affairs. In total, there are 26 projects on the agenda.

MR. LEWIS:

On the next few slides, we are going to highlight some of the parameters we use to develop our Capital Improvement Program. In order to develop an accurate construction inflation rate, we contracted with a local cost estimating firm, O'Connor Construction [Management, Inc.]. They have assisted us by providing data and background information so that we can have a realistic picture of projected costs for projects in the CIP.

On the next slide, the annual inflation rate for the construction is based on several sources. As you can see, we use current market rates, employment rates, availability of material and labor, recent bids as well as recent projected project cost estimates. We also take into consideration national, regional and local construction cost reporting. In the 2025 inflation rates that you see in the CIP book, we have a 6.8 percent for Northern Nevada and a 6.4 percent inflation rate for Southern Nevada.

This slide gives more context as a part of the report the SPWD received from the O'Connor Construction consultant. They provide us two charts, a Historic

and Forecasted National Escalation chart as well as a Construction Material Cost Index chart. Note that on the Historic and Forecasted National Escalation chart you can see from 2019 when COVID hit, a sharp drop occurred to 2020, then from 2020 to 2022 you notice a drastic increase followed by a drastic decrease in 2022 to 2023. We appreciate charts like this because it helps us to understand what is happening in the markets as well as with our supply chains. It allows our project managers to better budget the projects in terms of costs as well as schedule.

Our CIP estimates also include construction contingency amounts. We typically assign 15 percent for smaller projects less than \$10 million, 10 percent for larger projects which are greater than \$10 million. We use the construction contingency to account for such things as variation in bid climates, design errors and omission and unforeseen construction conditions.

We also have available four possible construction allowances that help us to modify the standard cost estimating pricing on our projects. We have remote locations where a contractor will likely spend money on per diem. We have secured facilities where the contractor is required to use time to check in and check out of a secured facility like our correction facilities, which require more time and money. We also have phased projects which we allow an allowance for project startup. Then finally, we have our occupied facilities where we are working around occupied buildings which take greater time and effort on behalf of our contractors.

These are just a few of the allowances that we include in our projects so that we can be accurate in our budgets and our cost estimating.

I would like to start with a highlight of two Nevada Department of Administration CIP projects. The first one is Project No. 25-C05, the Hobart Dam Rehabilitation, which is part of the Marlette Lake Water System and Project No. 25-C27 which is the state office building purchase in Reno.

Project No. 25-C05 — Additional Funds for Hobart Dam Rehabilitation (MLWS)
Project No. 25-C27 — State Office Building Purchase (Reno)

Our first project, Project No. 25-C05 provides additional funds for the Hobart Dam Rehabilitation in the Marlette Lake Water System. Before discussing the project, I just want to orient the committee. As you look at the slide on the Hobart Reservoir, it is located within that red box on the slide between Lake Tahoe and Carson City. The Hobart Reservoir is part of the larger Marlette Lake Water System shown here. To orient you again, you see that Carson City is located on the southeast corner of the slide. Lake Tahoe is depicted on the west side, the Hobart Dam Reservoir again in the red box, is an earthen field dam that was constructed in 1877 and was rebuilt in 1956 following a washout. The reservoir itself is 7,650 feet above sea level, and it holds approximately 110-acre feet of water. This reservoir used by the Marlette Lake Water System is part of the infrastructure that moves water from Marlette Lake to Carson City or Storey County, and it plays a critical role in the infrastructure in the valley and this entire region.

This project [Project No. 25-C05] provides \$4.5 million of additional state funding to complete the project. The Project No. 21-C06 was approved [in the 81st Legislative Session] with \$3.9 million of state funding and \$10 million of federal funding. Together combined, the funding will provide \$18.5 million to construct the structural and functional upgrades to the dam.

More importantly, why is this project requested? Project No. 21-C06 [of the 81st Legislative Session] was funded with 24 months of cost inflation which would have supported construction in the summer of 2023. The project however was stalled initially because it took an additional three rounds of coordination with Federal Emergency Management Agency (FEMA) to solidify the application before the project was selected to move forward.

Project No. 21-C06 — Hobart Reservoir Dam Rehabilitation (Marlette Lake Water System)

Now that the project is moving forward, extensive permitting required by the federal grant has kept us from making up for the slow start, and the construction escalation in the meantime has increased project costs. However, I am happy to report to the committee that the project design and permitting is currently underway with Project No. 21-C06 [of the 81st Legislative Session]

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and expected construction is scheduled to start in summer 2026, thanks to the additional funds provided by CIP Project No. 21-C06.

The other project, Project No. 25-C27, provides \$24.2 million to purchase an office building located at 10375 Professional Circle in Reno. This is a 79,200-square-foot building already leased by several state agencies, and it houses over 300 staff members from the Nevada Department of Health and Human Services (DHHS), Aging and Disability Services Division as well as the Public and Behavioral Health Division.

ASSEMBLYMEMBER YEAGER:

My question is about inflation. The study you reference was done in April 2024. Obviously, a lot has changed since then, not just in our country, but in the world as a whole. I am particularly interested in the concept of tariffs that are happening. I will acknowledge that the federal government does not seem to have a very solidified or concrete plan about what they are doing. I am sure you hear the news just like I do. I am wondering if you have done any further analysis, an update to the inflationary calculations to try to take into account whether tariffs are going to raise prices for construction goods and all kinds of other things.

MR. LEWIS:

No, we have not adjusted any of our figures or anything because of the climate with tariffs right now in the country. We are anticipating and we are eager to make adjustments when directed to do so.

MR. WACKER:

Project No. 25-M03 and Project No. 25-M03h are the combined administration maintenance projects. Priority 1, administration maintenance projects, have been requested as a combined project, same as last session.

Project No. 25-M03 — Facility Maintenance (Department of Administration)
Project No. 25-M03h — Facility Maintenance (Department of Administration-
Highway Funded)

This funding method is similar to statewide programs in that multiple projects are combined to create a common budget and contingency pool to benefit the

State. The primary benefit of this approach is that Priority 2 projects can be started when savings are realized instead of being deferred to the next CIP. Starting projects earlier saves the State funds, lost escalation and avoids potential system failures that would otherwise necessitate emergency repairs.

There are also other benefits. Combined projects share a construction contingency. This allows us to reduce the budget contingency from 15 percent to 10 percent, which on Project No. 25-M03 is a \$714,000 savings from the combined contingency. This approach will streamline the delivery of maintenance projects for the Nevada Department of Administration by starting projects earlier when funding allows as well as the ability to react to emergent needs before the next session.

This map shows the six maintenance projects requested by this project at the Stewart Facility Buildings 12, 89, 107 and 160 will receive mechanical system improvements. A structural repair project was requested for Building 12, and the final project removes abandoned steam tunnels that are collapsing and damaging the site.

The map shown here again is the Marlette Lake water system you just saw, and Project No. 25-M03(2) will replace the inlet structure in Marlette Lake. This structure is the first component in the Marlette Lake Water system. The inlet is the start of the Marlette Lake water infrastructure that provides water to Carson City and Virginia City.

Shown here is the Capitol Complex at Carson City. We have two projects, and they are both mechanical improvements at the Frankie Sue Del Papa and Supreme Court Buildings.

The Project No. 25-M03(8) shown here is on a site by itself, which will provide exterior rehabilitation to the Lakeview House. This house was built in 1873 and was originally the Marlette Lake Water System watermaster's house. It is 151 years old and still there. It is hard to see the location on the map. As you come into Carson City on the freeway, it is the white house on the west side of the freeway.

The next project is Project No. 25-M03h. Being Highway Fund monies, this project replaces the air-cooled chiller at the South Reno Nevada Department of Motor Vehicles (DMV). It also has two projects at the Nevada State Police headquarters in Reno. These projects will replace HVAC equipment, and the other project will replace the emergency generator.

Here is a summary of the projects I just breezed through on the vicinity maps, in table form. These shown here are the Project No. 25-M03 projects. You will see at the bottom, the total for Project No. 25-M03 projects requested is \$18.9 million.

There is one final project I would like to point out and that is Project No. 25-M03(11) for emergent maintenance. This is a \$570,000 project that will be used to address unforeseen or unplanned critical maintenance issues during this biennium.

This table shows the remainder of the Department of Administration maintenance projects. At the bottom you will see a total of \$35.7 million of maintenance request. This is made up of the \$18.9 million Project No. 25-M03 projects we just discussed. The Project No. 25-M03h sub-projects are \$4.3 million. Just a reminder, Project No. 25-M03h is for highway. We separate out the projects with Highway Fund monies.

There is a final project on this list, Project No. 25-M08 for \$12.4 million. The 25-M08 project was kept separate due to it is size. This project is a much-needed repair of the Nevada State Library and Archives (NSLA) Building here in Carson City. The need for this project was uncovered as SPWD started design on Project No. 23-C15 from last session. That project provides tenant improvements to a basement space at NSLA. We found when we started the project that water intrusion has damaged the building's structural components, including the entrance on the east and west sides of the building. Project No. 25-M08 will address the structural deficiencies we found.

Project No. 25-M08 — Building Repairs and West Plaza Replacement (Nevada State Library and Archives)

Skipping ahead to slide 63 of [Exhibit D](#), we will cover the two Nevada Department of Administration planning projects. The first project is Project No. 25-P03, which will provide advanced planning to replace the HVAC systems and sanitary sewer service at the Arrowhead Building in Carson City. As shown on the map here, this building is located on the east side of Carson City on Arrowhead Drive. This was a building the State purchased last session. This is a \$977,000 design-only project with state funding. The Arrowhead Building suffers from HVAC control issues dating back to its original construction.

Project No. 25-P03 — Advance Planning: HVAC and Site Sanitary Sewer Piping
(Pittman Building)

This project will fund a design for a full HVAC replacement, but I would like to note that it is our intent to start this project with the feasibility study to determine what parts of the existing system can be salvaged in hopes of not doing a full replacement. That is why this project was requested for planning for design only instead of a full construction project.

The next planning project is Project No. 25-P08. This project will construct a 65,550-square-foot building, a 79,350-square-foot building and a 350-space parking garage in Carson City as shown on the map here. What you are seeing is this project is located just south of 5th Street here in Carson City, and this is in the space that will be created by the demolition of the Northern Nevada Children's Home. The slide for Project No. 25-P08 simply shows that this is a \$6.2 million design only project with state funds.

Project No. 25-P08 — Advance Planning: State Office Buildings
(Capital Complex)

As a background, statewide programs are projects administered by the Nevada Department of Administration for other state agencies. Each program comprises several sub-projects across the State.

You will notice that the same numbers are listed more than once. These [Nevada Army National] Guard or highway projects are split out from the main

statewide program to keep the funding sources separate. Guard is a "G," and highway is an "H" project.

Project No. 25-S01 is a Statewide Roofing Program. This program will provide 17 roofing projects at state facilities. Project No. 25-S01g will replace roofs at the combined maintenance shop in Carson City.

Project No. 25-S01 — Statewide Roofing Program
Project No. 25-S01g — Re-roof Combined Support Maintenance Shop 2
(Nevada Army National Guard)

Project No. 25-S02 is the ADA program, which will address Title II issues statewide. This program consists of ten ADA upgrade projects. Project No. 25-S02h is a sidewalk replacement project at the Carson City DMV. Project No. 25-S03 is a Fire and Life Safety program. This program consists of five Fire and Life Safety projects. Project No. 25-S03g will provide a further three projects at the Nevada Army National Guard facilities. Project No. 25-S04 is a Statewide Advanced Planning Program. This supports engineering studies and will fund development of the 2027 CIP projects.

Project No. 25-S02 — Statewide ADA Program
Project No. 25-S02h — ADA Site Concrete Replacement (Department of Motor Vehicles, Carson City)
Project No. 25-S03 — Statewide Fire and Life Safety Program
Project No. 25-S03g — Statewide Fire and Life Safety Program (Nevada National Guard)
Project No. 25-S04 — Statewide Advance Planning Program

Project No. 25-S05 is a Statewide Paving Program consisting of 14 paving projects. Project No. 25-S05g will perform paving maintenance at the Plumb Lane Readiness Center and Project No. 25-S05h will provide pavement maintenance projects at two facilities with Highway Fund monies.

Project No. 25-S05 — Statewide Paving Program
Project No. 25-S05g — Pavement Maintenance and Rehabilitation (Plumb Lane Readiness Center)
Project No. 25-S05h — Statewide Paving Program (Highway Funding)

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Project No. 25-S06 is a Statewide Indoor Air Quality Program that provides mitigation of hazardous materials at state facilities, and which will address hazardous material storage at the Caliente Youth Center.

Project No. 25-S06 — Statewide Indoor Air Quality – Environmental Program

Let us move to slide 69 of [Exhibit D](#). The first one, Project No. 25-S07, is a Statewide Elevator Program, which is a new request. We have seen the number of elevator issues increase the last several sessions as our facilities age. This program will address the need by providing a focused statewide program to tackle these issues. The primary benefit of this program is the ability to tackle emergent elevator needs with the budget flexibility of a combined statewide project.

Project No. 25-S07 — Statewide Elevator Program

This past biennium, we have had state employees who use the elevator in the morning to go to their desk, but in the afternoon, we are unable to leave as an elevator broke during the day. Not all our state employees can use the stairs. Relying on the Fire Department or other help to help them go home at the end of the day is obviously not an option. In most cases, we have been able to perform emergency maintenance on these elevators during business hours. But, this is obviously not an acceptable situation. The goal of this program is to not have that occur anymore. This project has seven elevator projects.

Project No. 25-S07h provides a Highway Fund project at the Carson City DMV. Project No. 25-S09 allows the building officials to accept inspection fees for non-CIP projects in support of state agencies.

Project No. 25-S07h — Statewide Elevator Program (Highway Funded)
Project No. 25-S09 — Statewide Building Official Program

Project No. 25-S10 Statewide Building Move Program is another new request. This project provides funding for SPWD staff to facilitate state agencies moving into leased or owned office spaces. Relocating into new spaces is a logistically demanding activity that most state agencies do not have expertise to complete. State Public Works has therefore been tasked with many agency moves this last

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biennium to support the need. Many of these moves have involved work at The McCarran Center for which we are funded and staffed through Project No. 23-C36. However, agency moves involving lease space that have no funding to pay for our services are a large amount of the moves. As a reminder, SPWD Professional Services Section, B/A 101-1562 is fee based. On these moves involving leased property, we have not been able to collect fees to cover our costs.

Project No. 25-S10 – Statewide Building Move Program

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This program provides funding for five full-time construction project coordinator positions. These positions will allow SPWD to meet the building move need while collecting fees for work performed. The other benefit this program provides is supporting our use of construction project coordinators to support this work instead of using our higher paid licensed architects and engineers on staff.

All together at the bottom of the table this adds up to \$59.6 million of statewide programs requested in this session. I think sharp-eyed folks will see that the table does not say \$59.6 million; we had a typo on the table. The table says \$58.5 million I believe, but it actually adds up to \$59.6 million.

ASSEMBLYMEMBER JAUREQUI:

I think everyone on this dais is all too familiar with elevator woes. Why is this not being funded with leftover Priority 1 dollars?

MR. WACKER:

Are you talking Priority 1 dollars from the 2023 CIP administration maintenance project?

ASSEMBLYMEMBER JAUREQUI:

Usually, emergent programs and Priority 1 programs are funded with leftover dollars from Priority 1 projects. Why has this not been planned for in that way?

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MR. WACKER:

I am just trying to think of how to answer that. I think with the maintenance programs that we have with the combined projects we can pick up Priority 2 projects or emergent projects during the sessions with savings. I think with the current administration's combined program, we have picked up some projects. There are not enough funds left over in that project to completely meet the need for the statewide elevators, so we are requesting more funding in the 2025 CIP to take care of it.

In the 2023 maintenance projects for administration, we are able to pick up a couple of projects. The one that comes to my head right now is a replacement of an emergency generator at the state computing facility here in Carson City. We have been picking up Priority 2 projects already.

ASSEMBLYMEMBER JAUREQUI:

I am looking at our notes and the Emergent Elevators Project. It is a line-item total of \$564,807. Why is that being requested?

MR. WACKER:

I think the reason that is requested for that exact dollar amount is, if you look in the CIP book, it starts off at \$500,000 and when we escalate, it goes to about \$570,000 so it pumps up to a different number. The reason we want to request that is for emergent or emergency type needs that come up during this next biennium for projects we have not identified yet. That is a way for us to build some contingency funding into that project so we can address and tackle needs as they come up.

SENATOR CANNIZZARO:

I want to talk a little bit about the Statewide Move Program. Can you tell us, with these five positions, are they primarily going to support agency building moves into lease space as opposed to state-owned space?

MR. WACKER:

I think the intent is for those positions to support both. I think in this next session, our vision is that we will see this staff will support more than need when we are moving state employees into leased space.

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I know this last session with the McCarran Center purchase, there has been a lot of state buildings that we have purchased. I think next biennium, there are certainly buildings we are looking to purchase, so they will support that activity. I think there is a lot less of that overall. I really would envision that these folks would be more involved with moving state employees into leased space.

SENATOR CANNIZZARO:

By allocating existing project management staff resources to facilitate agency moves in the current biennium, has the Division experienced delays to legislatively approved CIP projects as a direct result of shifting the Division's resources away from capital projects?

MR. WACKER:

That is a really good question. Certainly, the time and resources we have spent moving state employees into lease space has not sped up the implementation and delivery of the CIP projects. Has it delayed it? I do not know that it has delayed it necessarily. I know our office has been very, very busy the last biennium. We are really just endeavoring to complete the CIP as fast as we can with the resources that we have.

MR. LEWIS:

What I am happy to report to the committee is, although we are doing these TIs [tenant improvements] and we are preparing these buildings as we purchase them, we are also housing them as well with agencies.

We have a twofold mission in that, not only are we preparing the buildings, but we also are walking the spaces with various agencies to see whether or not it fits. In working out the lease agreements for those agencies, I am happy to report that in all of it, we are able to occupy a majority of the McCarran Center because of that.

SENATOR CANNIZZARO:

We are not entirely sure if it has been delayed, but it certainly has not sped anything up, is maybe the total answer that I have heard. I know a lot of folks are in that McCarran Center space. But I guess the answer is, maybe not delayed but maybe not sped up.

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MR. LEWIS:

That is correct. We have not sped up the process, but at the same time, we have not gotten so far off track that we are far behind.

SENATOR CANNIZZARO:

Can you clarify for us whether the Governor's recommendation for this project seeks to fund five construction project manager positions or five construction project coordinator positions to coordinate state office moves? I think there is not a lot of clarity here about whether we are talking about project coordinator positions or construction project manager positions.

MR. WACKER:

The intent of this project is not a project manager. At SPWD, we have a couple levels of project managers. You would say project manager I, which would be like an unlicensed project manager, project manager II would be like a licensed architect or engineer.

The intent of this program would be to hire positions classified as construction project coordinator positions, either a construction project coordinator I or a project coordinator II, which would be a supervisor type role. These would be construction project coordinator staff that would be really an unlicensed person. When we are talking about architects or engineers, they will be performing—I guess you have to mince the words—project management services or project coordination services. Their roles would be limited to coordinating projects of a smaller variety which is more the tenant improvement for agencies or coordination of moves, not large multimillion dollar construction projects.

MR. LEWIS:

These positions are still skilled individuals. They have background in construction, background in the trades, and so they come with some credentials. They are just not licensed engineers and architects.

SENATOR CANNIZZARO:

What is the purpose of the wisdom in that as a decision, in having these unlicensed folks?

MR. LEWIS:

It will allow us to have a workforce that can handle these TIs without having, as Mr. Wacker said earlier, our project architects and engineers. They typically handle the big CIP projects. We have a need because of the purchase of these buildings to be able to have staff that can handle these smaller TIs or these, one-off type of projects. That is where that staff would come in.

SENATOR CANNIZZARO:

With these five positions, it sounds like when we first had this information, it was five full-time construction project coordinator positions. Then, I think there was some follow-up to our folks, and it was really more that it was construction project manager positions. With each working a number of hours for that particular salary, I think the total was \$175,768 for each position in each year of the biennium. How did you determine the hourly rate for those five new positions? Given that there are other folks, classified positions with similar titles and duties which are funded at lower hourly rates, can you explain that discrepancy?

MR. WACKER:

I know the way we developed that project is, we used our hourly rate, our internal rate that we charge other agencies to do our work, that is our project management and inspection rate. We have a single rate that we use for our professional staff. It does not matter what level of staff that is, a project manager 1, a project manager II or these project coordinator positions. We developed the project using that single rate with the anticipation that would be what would be billed to the project as we move through the work.

I know internally Administrative Services Division (ASD) helps us develop that rate, and they do an overall rate calculation for an agency. Obviously, even though we charge a single rate for this staff, we are not paying them the same rate in payroll. The cost to SPWD is different with different levels of staff. It will cost us less to use project coordinator positions to do this work versus a project manager II, licensed architect, even though we will still bill agencies the same rate.

That hourly rate is something we actively work on with ASD and is adjusted as necessary by those folks.

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SENATOR CANNIZZARO:

You are using this single rate in order to determine the rate for these particular positions.

MR. WACKER:

That is correct. That is what we are doing. We are using the single rate.

SENATOR CANNIZZARO:

Why are you using the single rate when you have other positions that are similarly classified that are lower rates? How did you get to "we're going to use the single rate" as opposed to assessing that the same way that you would assess some of these other folks working similar jobs with similar titles.

MR. WACKER:

I am trying to understand the question. Are you suggesting that we are billing these folks at a higher rate than some of our other staff internally? Is that what you are seeing? I guess I am a little confused.

SENATOR CANNIZZARO:

What we received from the Division was that you have these five project coordinator positions, but they are being funded at this hourly rate of \$120.72. These positions are very similar to other positions that exist. For example, your engineering and planning B/A 101-1562 has an existing classified construction project coordinator position with a recommended annual salary and benefits cost of \$138,264 in FY 2025-2026 and \$137,630 in FY 2026-2027. That is lower than what is being proposed for these other five positions, which is \$175,768 each year of the biennium. I am trying to determine, and we are trying to get some answers on how you came up with that as what you are asking for these positions, when there are similar classified positions that are at a lower rate and seem to have some similar duties. Does that make sense?

MR. WACKER:

The numbers you are discussing, the annual salaries for the folks, we already have a construction project coordinator position at SPWD, which is what you are talking about. These positions would have that same payroll structure as that individual. The hourly rate that we use to develop the project is separate from how the budget is built. One thing I would probably say is, when we build

the Project Management and Inspection in the CIP book, it is separate than the operating budget for B/A 101-1562, which is why we would have a little bit of a different rate. When construction project coordinator positions bill, they bill the same rate as a licensed project manager II. That is how our rates have been developed.

When you are looking at these five coordinator positions and you are looking at what their annual salary would be, yes, that is lower. When you look at how the CIP book was developed, it shows a higher rate than what it shows for that existing project coordinator position. That is just how we develop the book. That is something we could look at further if you would like us to, how we are developing their hourly rates and how that develops the project because it is specifically just for the coordinator position.

SENATOR CANNIZZARO:

I think there are generally some questions about why we are putting these positions into a particular project when we have other positions that exist in different budget accounts. This is not what we would typically see. Trying to figure out what are these people doing, what is it that you are paying, I think is what we are trying to get into, because this is very different from how we have these positions existing elsewhere. What will you do with the money that is charged to the agencies?

MR. WACKER:

With the statewide program, we are not charging agencies for these services. The idea would be that we would provide the staff to facilitate these moves, and this project would pay for the services. If we are moving an agency into lease space, we would not look to bill the agencies for that work.

SENATOR CANNIZZARO:

These are just General Fund dollars then that are coming in for these positions, different than charging the agencies. So why use this rate per hour as a way to tell us what we need to fund these positions at? If you are not going to charge right, then why are we doing a rate per hour?

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In follow up to that, there are a number of hours that were also delineated for each of these positions to work. Why use that as a calculation if you are not charging the agencies and you are just asking for General Fund dollars?

MR. WACKER:

I think I understand where you are going with that. Why do we have to bill these hourly rates instead of just funding it to the positions? The answer to the way we calculated that and the way we developed the project is because that is how we have always developed CIP projects. We used a similar construct to develop this project. Obviously, this is a different situation using these coordinator positions.

We could, if asked, look at that a little bit harder and change how that is put together. Maybe the project is just limited to direct payment for their time.

SENATOR CANNIZZARO:

Along those same lines, one of the other things I wanted to ask about is, these positions are being projected at 1,456 hours each year. That is less than 2,080 hours, which would be a full-time position. Why do you need five positions to ostensibly do less than full-time work for these projects?

MR. WACKER:

The way we develop those hours is based on being billable 70 percent of the time. It is also basically cooked into how the overall rate is built up. We assume this type of staff and all staff would be billable 70 percent of the time, which is typical.

SENATOR CANNIZZARO:

I feel like we are going a little bit in circles because now I am going to ask you, you are not billing the state agencies for this, correct? You are asking for General Fund dollars. It is a little confusing when we are talking about this being based on this billing scenario, but that is not what these positions are doing.

How did you get to that point? How did you get to the point of asking or determining that General Fund dollars should be used to support this rather than the direct charge to agencies? Why then was that the decision?

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MR. WACKER:

Why do we use General Fund monies? I think because it is not a bondable project. That is the choice, whether projects are recommended for General Fund dollars or bonded. That is something that the Office of the Governor, Office of Finance puts together for our projects. Obviously, this one was recommended to use General Fund dollars.

When we do other CIP projects, our staff bills to that particular project. That is the usual construct. They are billing to that project, and that is why they are not billable 100 percent of the time. It is just how the CIP has been developed, that we bill inside the projects. We do not fund our staff separately.

I think on this project, I am just trying to think of where to go with that. We developed it with that same idea that they would bill to the project instead of to the state agency. I guess we could look at asking agencies for reimbursement instead of this program.

Oftentimes agencies do not have the budget to pay us back for that moving service. That is the reason we have been asked to do the work and have not been able to collect, because they do not have the budget. This was a mechanism to help pay our staff for the work when we help with the building moves.

SENATOR CANNIZZARO:

My next question is why are we recommending funding in a CIP project to support these five positions instead of recommending funding in the Division's Engineering and Planning budget account where those positions would typically reside to support CIP projects? Why now put these positions in that particular CIP project, because the issue that you have highlighted is, some of these agencies maybe do not have the budget to be able to pay for that?

There are positions that support the CIP projects. Now we are being asked not to support those positions, but to support five separate positions within a CIP project. Obviously, there are some questions about the rates and how the hours are calculated, but why put these positions in the CIP project?

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MR. WACKER:

One way to think about it is, the CIP provides the revenue for B/A 101-1562. Our staff is funded almost entirely out of the CIP, B/A 101-1562 is funded by the CIP. The B/A 101-1562 is almost like it is the authority side, the operational budget to make that engine go. When we have our positions, the money will come from the CIP, but it moves into the operational budget B/A 101-1562 to fund our payroll, staff and operations. That is why it would show up in both spots. We do not have any of B/A 101-1562 staff that is funded separately from the CIP. That is why we are looking at having this component in B/A 101-1562. We supported it with the CIP project.

SENATOR CANNIZZARO:

I think there are a lot of concerns about this, because there are not five new positions that are just being asked to be put into B/A 101-1562. That would be maybe more along these lines. I also think that there are just a number of questions here about the hours and why we are going to put this into a CIP project that are concerning from my perspective. I think there is probably going to have to be a conversation about why it would not just make more sense to put five positions into B/A 101-1562 to help support this, as opposed to keeping them in the CIP.

ASSEMBLYMEMBER YEAGER:

On Project No. 25-C05, the additional funds for the Hobart Reservoir Dam Rehabilitation Marlette Lake Water System, I am going to go back to our favorite topic, the federal government. I noticed that more than half of the project cost is to be funded by federal FEMA grants. What is the plan if the FEMA grants get placed on hold or eliminated entirely? Are we going to be able to complete this project?

MR. WACKER:

Without the federal funds, that project cannot move forward. Right now, we are moving forward as if the federal funds would come in.

We have not heard anything or had any discussions that they would not. This is a FEMA federal grant. The way we would approach that is, we will move forward with the design and permitting as we are now. Obviously, we would not move forward with construction without having the federal funding in place.

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ASSEMBLYMEMBER YEAGER:

I understand that. Obviously, this is an important project particularly when we are talking about drinking water. If you could, keep us updated on what you are hearing. We are trying to get accurate information too. Hopefully, these funds do not get delayed or eliminated. If you start to hear that is going to happen, please let our Fiscal staff know so we can try to make any adjustments that we might need to make.

ASSEMBLYMEMBER MONROE-MORENO:

About Project No. 25-C27, the state office building purchase in Reno, the Governor is recommending \$24.2 million in general obligation bonds to purchase that building, which is located at 10375 Professional Circle. Did you obtain an appraisal for the building? If you did, what was the amount of the appraisal? Does the recommended funding to purchase the building align with that appraisal?

JACK ROBB (Chief Innovation Officer, Office of the Governor):

We have worked with multiple realtors, got an independent evaluation of the property and looked at other sales that have currently gone on in the area. We are comfortable with the price that is brought forward.

ASSEMBLYMEMBER MONROE-MORENO:

You got an independent opinion of the property but not an official appraisal of what the value of the property.

MR. ROBB:

We are currently working with the State Department of Conservation and Natural Resources, State Lands Division developing a contract to have that appraisal complete before the Legislative session ends, so we do know that we have sufficient funds within this category to purchase it. We are targeting end of April, beginning of May timeframe, to have that appraisal completed. Per state law, appraisals are only valid for a certain period of time. If we had an appraisal now, it probably would not be valid at the time we went to purchase that building. We would not want to spend \$5,000 for an appraisal twice. That is why we have taken this path.

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ASSEMBLYMEMBER MONROE-MORENO:

Not having the appraisal, have sales of other like-minded properties sold at similar amounts to the amount being requested for those general obligation bonds? Is that how you came up with that number?

MR. ROBB:

The realtors that we are currently working with on this property are former appraisers before they went into commercial real estate. They are very skilled in the thought process and methodology of obtaining appraisals. We have had multiple people back into this price, and we are extremely comfortable with the price we have brought forward.

ASSEMBLYMEMBER MONROE-MORENO:

If I understand it correctly, currently there are state agencies already occupying that property, and they are paying an existing lease rate of a \$1.60 per square foot, but it is recommended that their rent would go up to \$1.81 per square foot if this is approved. Do you know if they would be able to pay that difference? How would that impact their budgets paying this additional rental fee?

MR. ROBB:

I really appreciate that question because the methodology in which we lease this building and Building 43, which Nevada Department of Public Safety occupies in Southern Nevada, are historically a totally different way than we have leased buildings in state service. We usually go for a full-service lease that has been our standard in which they cover all the electrical, all the janitorial, and they cover 100 percent of the cost. Everything is covered within that cost.

When we looked at the 10375 [Professional Circle in Reno] property, some of the agencies that were moving in there already had custodial and maintenance staff on the books. We had staff that was associated with moving the people into these buildings. We elected to do it as a triple net lease instead of a full-service lease. When you do a triple net lease, it drastically changes the cost. We are on the hook for the power bill, the janitorial, the maintenance and everything that comes along with it.

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It looks like they are taking the increase in rent when in fact, Buildings & Grounds will then cover the electrical, the maintenance and everything that goes along with it. It will actually be a reduction in cost if you look at the triple net lease rate compared to our lease rate and then you factor in all the other costs. This will actually be a savings in the end.

ASSEMBLYMEMBER MONROE-MORENO:

With the change of the 21 cents, the agencies might actually save money from all of the different contracts that they are currently paying out in addition to their rent.

MR. ROBB:

That is correct.

ASSEMBLYMEMBER MONROE-MORENO:

I would like to move on to Project No. 25-P03, the advanced planning for the Arrowhead Office Building here in Carson City. When I looked at our backup notes, it talked about some sewer piping issues. Could you expand on that? How are you managing the current issues with the mechanical and the sanitary sewer systems to minimize the impact to the state employees that are occupying that Arrowhead Building?

MR. CHOMA:

We are seeing some ongoing plumbing issues, and it seems the main line out to the street is not sloped enough to flow all of the waste out to the main sewer line for the city. This project is to look at re-sloping that line, so we have proper slope for the sewage disposal.

ASSEMBLYMEMBER MONROE-MORENO:

We just acquired these buildings in 2023, correct? When were the HVAC, the sewer and the temperature control system issues identified? Because it is such a new purchase, was there a clause in our purchase agreement that would allow the State to recoup some of the repair costs from the prior owners that we are going to have to do?

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MR. ROBB:

No, there is not a clause in there. I want to point out that it is a 96,000-square-foot-building that we bought for \$18.5 million. If we built that building in Carson City, it would have cost us in excess of \$95 million to build. We bought this building eyes wide open that it had been vacant for four plus years, and there may be associated problems. We did a full analysis of the building. We knew the age of the HVAC on the building, and we made a decision to purchase that building knowing that we are going to have some future maintenance.

Even if we sink in another \$5 million to \$10 million on that building, in addition to the \$18.5 million purchase price, we are still \$60 million to \$70 million in the positive to have a building of that condition. It was a business decision made knowing there can be deficiencies going forward.

ASSEMBLYMEMBER MONROE-MORENO:

I appreciate the fact that it costs less to purchase the building than to build it from the ground up. Was there anything in our purchase agreement that would allow us to recoup the cost? When did you know these specific issues? You said you knew there would be some maintenance issues, but not specifically what those maintenance issues would be. When did you discover these issues, especially the sewer backup? That is my biggest concern. When did we discover that?

MR. ROBB:

Those deficiencies were not discovered until we partially loaded up that building. It is extremely difficult to anticipate that type of problem. In any type of scenario, you can camera sewer lines and we have done that. You can take all kinds of measures, but until you put actual individuals in there with real life scenarios such as toilet paper and wet wipes and all the other things that come along with operating restrooms with 450 people in those buildings, you cannot duplicate those scenarios until you actually have individuals in them.

ASSEMBLYMEMBER MONROE-MORENO:

The prior owner did not indicate any of these issues during that [purchase negotiation]?

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MR. ROBB:

The prior owner never had any tenants. He bought it from Harley Davidson at a fire sale. Harley Davidson was in financial distress and sold it at a greatly reduced rate, and the individual that bought it never had any tenants in the building at all. He was unaware of anything that went on, and we do not have any recourse against the prior owner.

ASSEMBLYMEMBER MONROE-MORENO:

So basically the prior owner did a flip, and we have to pay for that flip.

MR. ROBB:

Yes.

ASSEMBLYMEMBER BACKUS:

I like to talk about construction and concrete with regard to Project No. 25-P08, the state office buildings, Capitol Complex. My questions are going to pertain to the tilt-up structures being anticipated to be used. Specifically, what would be the benefits of utilizing this tilt-up construction method as opposed to the traditional construction method for the two office buildings and parking structure?

MR. LEWIS:

The tilt-panel design is superior in terms of it will allow us to have a very efficient design, a very low cost in terms of maintenance, and it will give us the wide span open floor plan that we are using. We have seen in some of the models of the buildings that we bought in McCarran Center. Compared to stick built, tilt-panel construction is a quicker and easier construction and is much more cost-effective construction.

ASSEMBLYMEMBER BACKUS:

I think you did say this, it would create a shorter, more efficient timeline for construction. Do you have any idea what the estimated time frame would be to be able to complete these new structures?

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MR. LEWIS:

I do not have a hard time, but when you compare stick build versus tilt, we could be talking anywhere from 15 to 10 percent shorter period of time in terms of construction.

ASSEMBLYMEMBER BACKUS:

Does the approach for the future building construction recommended with Project No. 25-P08 align with the design guidelines for the Capitol Mall corridor that is envisioned in the Capitol Complex Master Plan? If not, is it the intent of the Division to revise and update the Capitol Complex Master Plan? I think we saw a lot of that last session.

MR. LEWIS:

The Capitol Mall Master Plan is exactly what it is. It is a master plan. It is not a concrete plan for developing; rather, it is a road map of an overall concept.

The proposal that we have for these buildings will be adjusted. The Master Plan will be adjusted to account for that layout, but it is designed to still have the main mall feature with the buildings on the perimeter and parking garage inserted, as we address parking on the overall campus Master Plan.

ASSEMBLYMEMBER YEAGER:

I am looking at the document you provided. This is very helpful to see, and I believe this is the property adjacent to where we are here. I see you have two proposed buildings, each three stories, a parking garage in between, and it looks like some exterior parking. Was there any thought put to trying to potentially build a taller building instead of three stories, trying to go four or five to maybe increase the space? I just wanted to get the thought process behind that. We can talk a little bit more offline as well but just wanted to get some initial thoughts on two buildings versus one.

MR. LEWIS:

We are using the model that we have seen at the McCarran Center which is a very efficient design in terms of a master plan.

No, we purposely want to keep the new buildings between two to three stories tops. We are trying to stay away from any type of structure that would be

considered as a low rise or midrise building where you get into five or six stories. That tends to be a little bit more efficient for us, and it certainly lends itself more towards a tilt-panels type of construction.

ASSEMBLYMEMBER JAUREQUI:

Why does Project No. 25-M03 include funding for emergent maintenance projects, when usually the consolidated approach is for emergent and Priority 2 projects to be funded with Priority 1 savings?

MR. WACKER:

The reason we have that emergent project funding in there is, I guess you could think of it as a way to include some additional funding to really let us tackle these projects as they come up. One of the biggest reasons it is important to include it is, you think about the project life, how it proceeds through its life. These are four-year projects approved by the Legislature. We oftentimes do not realize savings from completed projects until second, third or almost a fourth year as we get done with it. If we do not have money available in the project at the beginning to tackle an emergent need when it comes up, we would not be able to address that need until the end of the program. That provides funding to help with that.

It also provides a little bit of funding because we do not know what we are going to use it for, but we know that we will use it for something. It just has a little bit of dollars sitting there ready to be used.

ASSEMBLYMEMBER JAUREQUI:

So this is just a new approach. This is not the way you have funded these projects in the past.

MR. WACKER:

We have a little bit and are looking to expand it. We have had these combined projects in the past, and you might be looking specifically at that emergent project line item. That is something that is a new thing we added this session to all of our projects. That is a line item we have used in statewide programs in the past, statewide paving, ADA, that sort of thing. We have had line items in those projects in the past, but it is something we are looking to add to these combined maintenance projects this session.

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ASSEMBLYMEMBER YEAGER:

On Project No. 25-M08, the Building Repairs and West Plaza Replacement at the Nevada State Library and Archives, have you determined whether there is a specific source of the water infiltration aside from just normal weather conditions? If so, are the plans going to address that source of water?

MR. WACKER:

Yes, we have. On the west side of the building, you have basically an elevated walkway or plaza as you enter the building. It is a block walkway, and it has building underneath it. It is a complicated waterproofing arrangement in buildings. That is the primary source on that side of the building. I can't speak to all the water intrusion issues. I think there are some other things going on, but that is the primary source of it. Yes, we are planning to address all of those issues with this project.

ASSEMBLYMEMBER YEAGER:

Do you anticipate needing to relocate any of the occupants of that building during the repairs?

MR. WACKER:

Right now, we are not anticipating having to relocate occupants. I know there are chunks of the building that are unoccupied. That is why the Project No. 23-C15 TI project was stopped. We cannot move people in there until we address these issues. A lot of the repairs will be on the entrances on the east and the west sides of the building, so we will not have to move people out to make a lot of these repairs.

CHAIR DONDERO LOOP:

We will move to the State Department of Agriculture (NDA).

MR. WACKER:

On slide 85 in your packet as shown on the screen here, we have two maintenance projects for the NDA. Both of them are at the Measurement and Standards Building.

The Measurement and Standards Building is located in Sparks just west of 21st Street. It is in a cluster of state buildings that include the Northern Nevada

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Veterans Home and the DHHS Northern Nevada Adult Mental Health Services campus. Project No. 25-M12 is a \$1.3 million effort to replace HVAC equipment in the building. The systems of this building are well over 20 years old and can no longer meet the temperature and humidity needs of the agency.

Project No. 25-M12 — HVAC System Renovation (Measurement Standards Building)

Project No. 25-M14 is the same building. It is a \$950,000 effort to replace the building's access control system, interior lights and power distribution equipment. The electrical system is original to the building's 1971 construction.

Project No. 25-M14 — Security Improvements, Interior Lighting and Power Distribution (Measurement Standards Building)

ASSEMBLYMEMBER TORRES-FOSSETT:

I just had a couple of questions about Project No. 25-M12. I wanted to know what the estimated time frame is to replace the HVAC system for the Measurement Standards Building.

MR. WACKER:

We have been looking at the schedule on that one. We are looking at starting design in September 2025. It will take about a year to do the design. We are looking to start construction in November 2026 with hope to have that complete in March 2027, about a five-month construction project.

ASSEMBLYMEMBER TORRES-FOSSETT:

How would the utilization of the neighboring state metrology laboratories impact the time and the cost to perform that testing for customers?

J.J. GOICOECHEA (Director, State Department of Agriculture):

At this time, we are not expecting any impact to that metrology lab. We are hoping that we can do this in a phased approach so that we can keep that portion where it needs to be humidity and temperature controlled.

MR. WACKER:

We have two projects to present today for Native American Affairs.

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The first project is Project No. 25-C14. This will provide a seismic rehabilitation of the old gym at the Stewart Facility. The location is shown for you here. The Stewart Facility is southeast of Carson City. The Old Gym is located to the south end of the campus at the intersection of Wa Pai Shone Avenue and Gibson Avenue. Here are some images to help you understand this project. The upper left is the current condition of this building. The Old Gym was constructed in 1938 and is currently in a state of disrepair.

Project No. 25-C14 — Seismic Stabilization and Rehabilitation of Old Gym
(Stewart Facility)

Capital Improvement Program Project No. 17-C09 replaced the collapsed roof, which is the metal construction you can see here. Otherwise, the building's interior systems are nonexistent. The lower right rendering shows what we hope this building will look like after the project brings the building back to life. Project No. 25-C14 is a \$16.8 million investment in the Old Gym at Stewart. This funding will provide for a seismic stabilization of the building and architectural rehabilitation that will allow the Agency to once again use this space.

Our last project today, also with Stewart, is Project No. 25-C21 which will install lighting at the quad. The quad is the outdoor space highlighted on this map; it is just an open field. It is a quad. This is a \$428,000 project to light the quad at Stewart. The project is intending to install four 30-foot poles with LED lights and associated underground electrical infrastructure. This project will allow night use of the area for public and special events at the Stewart facility.

CHAIR DONDERO LOOP:

Once the gym is rehabilitated into that conference center, how would it be managed? Is there going to be a revenue stream for the Stewart Indian School? They have the Living Legacy Initiative. Will there be anything there that we can put into that fund?

STACEY MONTTOOTH (Director, Nevada Department of Native American Affairs):

Yes and yes. By restoring the old gym with its significant history, we would be able to use that specifically for my Department's ancillary events with all of our programming from art demonstrations and speaker series. Our Department does

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not have access to a room that will accommodate more than 20 people very easily.

It also could become a method for revenue collection. I believe it was two sessions ago, sponsored by Assemblyman O'Neill, we along with one of the state prisons were able to get legislation that allows us to offer that space to outside groups and could collect revenue. The Nevada Department of Native American Affairs is the coordinating agency for the entire campus. We would look to use it for outside parties as well as for internal use.

MR. LEWIS:

As everyone can see, we have a large number of projects that we recommend in front of the committee, and we understand the huge task we have as a State to get it right. By selecting the best and most impactful projects to move forward, we are eager and we are ready to get to work on the outcome of these proceedings.

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CHAIR DONDERO LOOP:

We will move to our last agenda item for the day, public comment. Hearing none, this meeting is adjourned at 10:08 a.m.

RESPECTFULLY SUBMITTED:

Dee Chekowitz-Dykes,
Committee Secretary

APPROVED BY:

Senator Marilyn Dondero Loop, Chair

DATE: _____

Assemblymember Shea M. Backus, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit Letter	Introduced on Minute Report Page No.	Witness / Entity	Description
	A	1		Agenda
	B	1		Attendance Roster
	C	3	Cari Eaton / Office of the State Treasurer	Budget Presentation
	D	12	Wilfred Lewis, Jr. / State Public Works Division, Nevada Department of Administration	Budget Presentation