

## Assembly

MINUTES OF MEETING - WAYS AND MEANS COMMITTEE - NEVADA STATE LEGISLATURE  
54 TH SESSION APRIL 10, 1967

Meeting was called to order by Chairman Glaser at 3:30 PM in the Ways and Means Room.

Present: Glaser, Mello, Harris, Bowler, Ashworth, Young, Tyson, Howard, Jacobsen  
Absent: None

Present for presentation on Marlette Lake: Senate Finance Committee

Presentation by Howard Barrett and Wilson McGowan: Mr. Barrett presented 2 maps showing the proposed lease system (Marlette system plus delivery system to reservoirs) and the other outlining the proposed purchase system (distribution and minor collection & relate water rights). Also distributed to members of the committee were copies of the proposed contract. The proposal is to lease to Southwest Gas Company that portion of the system from Marlette Lake on the line to Red House over to Virginia City; also under lease would be that area of the old state system from the tanks down to the V & T Reservoir, the line in Vicee Canyon. That from the tanks on to the state prison would be sold outright. The sale price for this portion would be \$84,000 on a 20 year contract at 3½% interest.

The contract for the leased land mentioned above would be for \$750,000 for 35 years at 4½% interest which would amount to a total of approximately 1½ million dollars. The first year's payment would be \$7500 with payments graduated on up to a level of about \$25000 ~~at a rate of 3¢ per 1000 gallons.~~ at a rate of 3¢ per 1000 gallons. If, during the lease contract, this system would be sold to Southwest Gas, the payments would be subtracted from the sale price which would be the 1½ million.

Mr. Barrett emphasized that this contract is for the sale and lease of water rights systems, not any land involved. There are 5,377.9 acres of land in the Marlette and Hobart areas belonging to the state. This land could be developed and used for recreational purposes as long as it's use would be consistent with public health standards in relation to the water.

The price of \$750,000 plus interest was arrived at by appraisal of parcels around the lake area and averaging it out, then subtracting it from the total purchase price of the whole parcel (water and land), plus improvements. He also pointed out that we still have the existing purchase contract to finish out.

There is some hesitancy pertaining to the Virginia City contract rates. Carson Water Company is afraid this is perpetual and could not carry on at the present rate with Virginia City. Mr. Barrett said that we feel this is not perpetual and can be re-negotiated at a later date. So, because they are leasing the entire there is provision in the proposed contract under consideration that they will not put major repairs on the system after Duck Hill, but will be responsible for its maintenance and patrol. If the Carson Water Company will pay us an additional 4¢ per 1000 gallons, this would go into a special fund to make repairs on that system. So far there have been no repairs. As of 1969 when this can be renegotiated, this would be eliminated. The language of the contract prevents payments of repairs without approval by Nevada. If, however, there is no re-negotiation with Virginia City on their rates, this repair arrangement would continue.

Senator Gibson, on the question of whether this is perpetual rates on supplying water to Virginia City, said that the Storey County Commissioners are interested in buying the system from Duck Hill up to and including 5 mile Reservoir. There is a provision

Another problem exists in this same area regarding retirement. This will have to be adjusted also to put statewide services retirement money in their budget and administration's retirement money in theirs.

Mr. Glaser outlined the problem existing with DRI in the overhead monies coming from federal grants. In the past they have put part of this research overhead into prospectus, etc. for starting new research projects to avail themselves of further grants from the federal government. In the budget we are proposing this money would be all in one fund at the northern campus so the excess monies could not be put back into DRI as "seed" money.

Mr. Barrett said that his recommendation had been that the money obtained from the federal government be used just for overhead as stated and not be diverted into other channels. One solution would be for the Board of Regents to get this money for starting research projects from the appropriated instruction money for that campus.

Mr. Glaser pointed out that be our proposal we would be diverting part of their federal grants into hiring instructors. Mr. Ashworth said the money should be used for what it was intended. Mr. Bowler said we should attempt to solve the problem, not continue it. Mr. Howard said that it was our intent to prevent diversions of money by setting up distinct categories.

Mr. Glaser commented that DRI has received money amounting to 10 million in the last 10 years. Accompanying this is the overhead. We have now diverted this to the general fund of the University to hire instructors, etc. If they were both under one budget, there would be no problem because the Board of Regents could specify the use of this money as "seed" money, etc. If we freeze these categories, we also freeze this money. This would remove the incentive for DRI to go out and get more federal grants for their research. One possible solution would be for another category allowing diversion into the 2 channels.

#### Marlette Lake

Mr. Glaser charted figures on the board. The state bought this property in 1963 for \$1,650,000. According to an appraisal in February of 1964 the land value was set at \$673,000. This leaves \$977,000 as the value of the water rights plus improvements of \$65,000 making a total of \$1,042,000. Allowing increased value of \$120,000 the selling price of these water rights should be in the area of \$1,162,000. The acreage involved around Marlette and Hobart is 5,378 acres.

The cost for us to make improvements if we keep the water rights would be around \$50,000 to clean up Hobart.

The payments starting at \$7500 increasing to \$25,000 would be applied to the purchase price if Carson Water Company buys it. The total price would be 1½ million (arrived at by adding the 4½% interest over 35 years to the price of \$750,000).

Mr. Young pointed out that we would be paying about \$20,000 for the water useage and their first payment to us would be only \$7500.

Mr. Jacobsen said that within the next 2 years it would cost us \$192,000 for improvements - to reopen the tunnel, replace the pipe line from tunnel to Red House and clean Hobart.

Question on the selling price - not enough money. The present bonds still have to be paid off on purchasing this property - not paid off until 1983 - 3% interest.

Mrs. Tyson commented on the land being used for recreational purposes.

Mr. Glaser requested figures on the breakdown used in \$750,000 selling price figure. Meeting adjourned at 9 AM.