

SENATE COMMITTEE ON
FEDERAL, STATE, AND LOCAL GOVERNMENTS

Minutes of Meeting Held
March 2, 1967
8:00 a.m.

The 13th meeting of the Senate Committee on Federal, State, and Local Governments was called to order at 8:00 a.m. on Thursday, March 2, 1967, in Committee Room 50, State Capitol, by Chairman Gibson. All committee members except Senator Bunker were present. Also present were Mr. Clay Lynch, City Manager of North Las Vegas, and Mr. Wally White, Department of Health and Welfare of the State of Nevada.

The Chairman called for consideration of:

S.B. 170: Authorizes counties and cities to issue revenue bonds to finance industrial development. Introduced by Senator Alleman.

He said Mr. Lynch was in attendance to address the committee in support of the bill. Mr. Lynch said the purpose of the bill was to provide construction money for economic development; that the bill would encompass gaming and tourism in its definition of industry. He stated this kind of financing is already in effect in the airport purchase act. He pointed out that Sections 10 and 38 of S.B. 170 specifically provide that revenue bonds shall never (1) constitute the debt, or (2) give rise to the pecuniary liability, or (3) be a charge against the general credit or taxing powers, of the issuing county or city.

Mr. Walter A. Caine, Jr., Resident Manager, and Mr. Hawkins, of Goodbody & Co., Reno, a brokerage firm, joined the meeting at the request of Mr. Lynch. Mr. Caine corroborated Mr. Lynch's statement that the failure of an industry financed through such revenue bonds would not affect the credit of the local government unit--citing as an example that the failure of the Horizon Hills development in Reno had not affected the credit of the City of Reno.

Senator Young asked whether this act is in effect in any other state.

Mr. Lynch said 26 other states have similar acts and that one more state besides Nevada is considering it. He stated that the firm of Doss et al. in Denver had prepared a bill for the State of Colorado which they hoped would be a model law, and it was ~~this~~ Denver bill that Frank Daykin of the Nevada Legislative Counsel Bureau had used as a model in drafting S.B. 170.

Senator Monroe asked Mr. Lynch what particular interest the City of North Las Vegas had in this legislation. Mr. Lynch said that North Las Vegas has just completed a special assessment district called Nellis Industrial Park, where individuals own the lots, but the city put in all the offsite improvements. After interest rates jumped throughout the country, discouraging investors, North Las Vegas issued \$2.3 million worth of revenue bonds which are backed by the general taxing power of the city, as permitted by the city charter. Under S.B. 170, the city could issue revenue bonds without involving the taxing power of the city. They wanted the bill drafted to apply statewide

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rather than just to North Las Vegas or Clark County, so that that area could not be accused of unfair competition with other areas of the state.

Senator Farr stated that a Salt Lake bonding firm, Smith & Burroughs, had made an extensive report on the pros and cons of this type of revenue bond, and their report indicated the bad offset the good aspects. Mr. Caine said Goodbody & Co. was neither advocating nor opposing this type of financing; that he was there to point out the pros and cons and let the committee decide for itself. He quoted briefly from a book, "Industrial Aid Financing", put out by their firm. He said this was the only book he knew of on this subject and that it deals with many facets of the subject. Mr. Caine said he is not an expert in city and industrial bonds, but rather represents his company in the whole field in this area. Mr. Lynch asked Mr. Caine whether Goodbody & Co. deals in this type of securities regularly. Mr. Caine said yes.

In the ensuing discussion, Mr. Lynch stated that both public and private property could be utilized as sites for building financed by revenue bonds, but that any public property used must be deemed not to be needed for public purposes. He stated, in response to a question from Senator Farr, that the particular lure to investors is the county's or city's power to make interest on its securities tax exempt. Senator Gibson pointed out also that the prospective investors' capital investment would not be as great in this type of situation.

At the request of Senator Young, Mr. Caine quoted figures (from Table 3, page 9 of "Industrial Aid Financing") indicating state totals of local government industrial financing, through 1965, for Alabama, Arizona, Arkansas, Kansas, Mississippi, Missouri, Nebraska, and New Mexico. Senator Young asked if figures were available for defaults that had occurred on the revenue bond issues. Mr. Caine said he would get these data to Senator Young.

Senator Monroe asked if the people would have an opportunity to vote on revenue bond issues. Mr. Lynch said no, ordinarily revenue bonds are not voted on by the people.

Senator Gibson asked whether there is a limit on the amount of revenue bonds that might be issued. Mr. Lynch said the automatic limit is the willingness of the financial institutions to purchase the bonds. The Chairman asked Mr. Caine to send him 7 copies of the Goodbody & Co. book, "Industrial Aid Financing", for use by the committee.

At this point, Messrs. Lynch, Caine, and Hawkins left the meeting.

The Chairman stated that Mr. Wally White would speak on:

S.B. 190: Provides Additional protection of Lake Tahoe water. Introduced by Senator Young.

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Mr. White said the purpose of the bill was to extend the authority of the Department of Health and Welfare at Lake Tahoe from strictly public health to environment and danger. He discussed various problems existing at Lake Tahoe at present. He said he knew of no particular objection to the bill.

✓ Disposition: Senator Monroe moved "Do pass"; Senator Young seconded; the motion passed unanimously.

Mr. White left the meeting at this point.

The committee next considered:

S.B. 116: Increases jurors' compensation. Introduced by Senators Herr, Bunker, and Alleman.

Senator Gibson said he had obtained figures on the cost involved in jurors' pay. Last year, statewide, about \$50,000 was paid out for jurors' per diem plus travel of witnesses and witnesses' fees. He said there was no way of breaking the jurors' pay out of the total. Hence, this bill would increase the amount by only \$25,000, even basing the increase on the total \$50,000 figure.

✓ Disposition: Senator Alleman moved "Do pass"; Senator Monroe seconded; motion passed unanimously.

The Chairman announced that the committee would meet the next day and that he would let the members know at what hour.

The meeting adjourned at 9:00 a.m.

Respectfully submitted,

Louise Glover - Secretary

I certify that the foregoing minutes are correct.

Senator James I. Gibson - Chairman