

ASSEMBLY
GOVERNMENT AFFAIRS
April 26, 1977
7:00am

MEMBERS PRESENT: Chairman Murphy
Mr. May
Mr. Craddock
Mr. Jeffrey
Mr. Moody
Mr. Robinson
Mrs. Westall
Mr. Jacobsen

MEMBERS EXCUSED: Mr. Mann

GUESTS PRESENT: See attached list

Chairman Murphy called the meeting to order at 7:10am.

The Chairman asked the committee to look over the Senate amendments to ASSEMBLY BILL 360. Frank Daykin, Legislative Counsel, explained that the dispersing and receiving systems are in Clark and Washoe cntys. Money collected by a county assessor or agent for the state of Nevada now must be remitted to the State, this applies to all counties. Money directed by court to be deposited by the clerk of the court should not be turned in to the county general funds to derive interest.

Mr. May moved that the committee CONCUR IN THE SENATE AMENDMENTS TO ASSEMBLY BILL 360, seconded by Mrs. Westall, motion passed unanimously.

The Chairman then asked the committee to look over the Senate amendments to ASSEMBLY BILL 330. Mr. Richard Bunker, City of Las Vegas, explained that the new language returns the statute to the way it was before the bill was drafted with the exception of changing the districts to population instead of registered voters. There was so much confusion over the rest of the bill that we put it back to its original form.

Mr. Moody moved that the committee CONCUR IN THE SENATE AMENDMENTS TO ASSEMBLY BILL 330, seconded by Mr. May, motion passed.

SENATE BILL 502

Frank Daykin, Legislative Counsel, explained to the committee that the present law prescribes a fixed royalty for the lease of state lands for oil, coal, gas or geothermal resources. The fixed royalty is the same in all cases at 12% of the net proceeds. This provision is being changed to a minimum royalty of 15% in the case of oil, gas, or other hydrocarbons and 10% in the case of geothermal resources, leaving it to the Division of State Lands to negotiate the most favorable rental at or above that figure and requiring that they lease at not less than what is being paid for comparable lands in the same vicinity.

The 12% of the net is somewhat a sweetheart arrangement because ordinarily in even wildcat oil or gas regions the land owner would reserve a royalty of 12% of the gross which is quite another thing. This bill permits 15% of the gross which is a little larger than the private owner would get.

In reply to a question from Mr. May, Mr. Daykin said that this is not a lease of the surface of the land but of the right to extract these various mineral products. The bill does not interfere with mining net proceeds. Oil and gas and other hydrocarbons are not found in "mines".

ASSEMBLY BILL 732

Lody Smith, State Forester, Division of Forestry, told the committee that this bill was a result of a Marlette-Hobart Watershed Study prepared during the past interim. The purpose of the bill is to ensure proper management of the Marlette-Hobart Watershed System to ensure water quality and quantity coming out of the watershed area. The bill directs management procedures for that area. Where the water goes has nothing to do with this bill. This simply ensures that the watershed is managed properly so that the water will be there in the years to come. This bill will allow the management of forest programs, control of insects and disease in the area, removal of insect infected trees, dead trees, high risk trees, it will set up fire fighting plans, allow revegetation of certain areas, its just a management planning program.

Assemblyman Jacobsen explained that only section 1 of the bill is mandatory. Presently there are 3 different agencies controlling the area, there is no joint effort. This bill is based on \$25,000 study of which \$19,700 was spent.

Assemblyman Murphy commented that this was not only control of the watershed but of the entire area.

THERE WAS NO OPPOSITION TO THE BILL.

ASSEMBLY CONCURRENT RESOLUTION 59

Assemblyman Craddock explained that this resolution is a tool to express legislative intent to take off some of the public pressure that is exerted against the Water Resources Engineer.

Assemblyman Jacobsen and Assemblyman May commented that they didn't want to open up the water laws of the state because there is not enough time to do a proper job of reviewing the entire situation.

Chairman Murphy said that discussion of this subject would be continued at the next meeting.

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ASSEMBLY BILL 593

Chairman Murphy explained that this bill had been amended severely on the floor of the Assembly and had been returned to committee for further consideration of the new amended version.

Assemblyman Robinson distributed to the committee a copy of the Grand Jury report, 1972-73, regarding possible irregularities in the management and operation of the Clark County airport facilities. A copy of this report is attached as Exhibit 1. Dr. Robinson noted that Mrs. Thailia Dondero was a member of this Grand Jury. He explained that the report included seven areas of mismanagement of the airport and the findings and recommendations of the Grand Jury. He read from the last paragraph of the report. "Finally, we recommend that the Nevada State Legislature create an airport authority for the County of Clark which will be free of political influence; that the authority be composed of not less than seven qualified individuals; that these individuals be appointed for staggered terms of not less than four years; that they be qualified in the areas of concern to the airport, such as personnel administration, attorney finance (bonding), businessmen and interested citizens. The authority should also have a suitably qualified technical advisory board." He explained that the amendments that were adopted on the floor of the Assembly to A.B. 593 to essentially what is listed above.

Assemblyman Robinson then distributed copies of the minutes of the Senate Government Affairs committee meeting of April 13, 1973 and April 16, 1973 regarding Thailia Dondero's testimony. These are attached as Exhibits 2 and 3. He stressed that Mrs. Dondero felt that there needed to be an airport authority free from political influence and he stated that there would be testimony that followed that showed that the present management and managing of the airport is not free from political influence. He added that he was not trying to imply that the present county commissioners were not trying to do a good job. His opinion was that no one could be an expert in all fields. The county commission is becoming overloaded all the time with more and more problems to deal with. This is not an emergency at the present time because the county commissioners are not doing that badly now in managing the airport. The evidence shows that they have had over the years a great number of problems which the Grand Jury report pointed out. The present job of the county commissioners gives no assurance of the job future commissioners will do. Many large airports such as Baltimore, Cincinnati, Memphis, Minneapolis, New Orleans, San Francisco, Tampa, Tucson airports are run by airport authorities.

He passed out some articles from some Las Vegas newspapers which point out the abuses and support the concept of an airport authority.

He then discussed the first reprint which provides for the appointment of an airport authority.

Assemblyman Robinson added that the responsibility for making sure that the authority did a good job would rest with the county commission. The bill is parallel to the bill to create a Washoe County Airport Authority

Charles Ruthe, Las Vegas Chamber of Commerce, discussed the Grand Jury report, and said that the Chamber became involved in 1973 because of the Grand Jury report. Many of the problems have been corrected but the need for concern persists. He urged support of the amended version.

Assemblyman May wondered why, if the Grand Jury report was released in 1973, the matter is just coming up four years later. Mr. Ruthe replied that the Chamber supported a similar piece of legislation in 1973.

In reply to Assemblyman Robinson, Mr. Ruthe said the Chamber of Commerce is comprised of about 1500 members throughout Clark County that support the measure.

Mr. Maxwell Kelch then spoke in favor of the bill as amended. He said that in 1945 he headed a group that went to Washington D.C. to confer with General C. C. Chauncy, Deputy Chief of the Air Force. The purpose of the meeting was to determine what requirements would be placed upon the community of Southern Nevada if the then existing Las Vegas Flexible Gunnery School could be made a permanent peacetime installation. His reply was simple. "Get commercial aviation off the military field, and we will make that facility a permanent peacetime facility." The group returned to Las Vegas, the Chamber of Commerce was responsible for placing a bond issue on the ballot for the voters to determine if they would endorse a project to obtain property and construct a new commercial airport and terminal. The measure obtained overwhelming approval. McCarran was established and the military remained, eventually naming the facility Nellis Airforce Base. Mr. Kelch explained that he is a licensed pilot with his own plane based at McCarran.

He continued: McCarran is now among the top 20 airports of the nation. This is the result of the highly successful advertising and promotional campaign originally started by the Chamber of Commerce and subsequently supported by the Resort hotels, the various carriers and finally the Las Vegas Convention and Visitors Authority. In excess of 20 million dollars are expended annually to create a desire in people to visit Las Vegas, a large percentage of these people arrive through McCarran.

The operation of such a major airport facility is a highly technical big business. Many communities throughout the nation have found their best interests are served by putting the control of their airport in the hands of a nonpolitical authority composed of community leaders who have the required mix of technical expertise needed for the proper and successful management of a facility of this magnitude. It is unrealistic to assume that an elected political body would have the composition of management and technical skills necessary to administer to many detailed, and technical functions required of a major airport system.

Mr. Kelch continued: In Clark county, the county commissioners have the responsibility of administering, in addition to the airport system, the county hospital, the water district, a large urban area, a rural area, liquor and gaming licensing and other functions too numerous to mention. It is unrealistic to assume that these few people have the expertise to be properly knowledgeable in all of these many fields in which they have responsibility. No one knows all of the answers and everyone can benefit from experts. We need experts administering the airport if we are to have a fully successful facility that will keep pace with community development.

The weaknesses of the county commission in performing satisfactorily as the administrators of the Airport is due to the lack of expertise on the board and due to the fact that the board is spread so thin in its responsibilities that inadequate time can be devoted to it. The testimony of this weakness is seen in the report of the 1972-73 report of the Clark County Grand Jury. What the Grand Jury did not mention was how much of a loss the County of Clark suffered, or will suffer in the future, because of the lack of continuous planning and development for the future because the County Commission is spread too thin. Where would we be today, and where might we be in the future if a technically qualified Airport Commission were in existence devoting its total attention to its one responsibility namely the Airport and its future, as a major support facility for the economy of Clark County.

Clark County is and has been in a tremendous building boom. The economy is bursting. Air travel to the area is expanding at a fantastic rate and yet today there is no adopted master plan for the future development of this airport which is now essentially operating to capacity.

This statement is not intended to be an indictment of any individual or of any group of individuals. It is an indictment of the system under which they operate. It appears that the people in Clark County and the Southern part of the state can best be served through the formation of an Airport Authority as detailed in A.B. 593.

The tremendous demand and use of the airport has happened in spite of, instead of, because of the management of the airport. With 20 million dollars spent annually encouraging people to come to Las Vegas and some 40% come via air obviously there has to be a vast increase in the traffic that occurs at McCarran. The economy of the area and the development of the tourist industry that has created the tremendous amount of travelers to the Las Vegas area.

Chairman Murphy commented that the Grand Jury report is out of date. Since it has not been a secret, why has it taken so long to bring up this issue before the Legislature?

Mr. Kelch replied that the things that were outlined in the Grand Jury report are still going on.

Mr. Dan Evans, former McCarran Airport Manager, spoke in favor of the bill by giving a history and summary of past events at the airport. His testimony and the questions and answers that followed his testimony are attached as Exhibit 4.

Mr. Paul Christensen told the committee that the Las Vegas City Commissioners support the amended version of A.B. 593 unanimously.

Thailia Dondero, Chairman, Clark County Commission, discussed the presentation by the opposition to the bill. The presentation agenda is attached as Exhibit 5.

Mr. Erle Taylor, McCarran Airport Director of Aviation, discussed the history of the growth of McCarran Airport. He added that Las Vegas is the leading destination of charter flights, attracting 28% of the total charter business. A copy of his statement is attached as Exhibit 6.

Assemblyman Craddock asked Mr. Taylor how the landing fees at McCarran airport compared to fees at comparably sized airports. He was told that landing fees at one airport cannot be compared with the landing fee at another airport. The reason for this is because we work on a pay even basis with the airlines, what they pay in rentals, what we get from concessions, we make up with landing fees for the cost of operating the airport that year. We couldn't compare with Los Angeles or San Francisco airports because the requirements are different, the contracts are different. It is a whole different situation. Comparisons can be made but they don't really mean anything. "I think the rates are reasonable at McCarran, we were 10¢ for many years until we entered the new contract-1968."

When Assemblyman Robinson asked Mr. Taylor if all the accomplishments he had spoken about in his testimony were due to the good management of the county commissioners, Mr. Taylor replied that he thought the county commissioners had been a great assistance.

Assemblyman Robinson asked, "have you ever had to make a decision on management of the airport based on some political expediency of awarding a lease, such as the TP or the carpet contract, were there political influences involved in that at the time of that commission". Mr. Taylor replied: There was then, there hasn't been any since. Assemblyman Robinson: Have you had to hire someone at the suggestion of a commissioner?

Mr. Taylor replied: I don't hire anyone at the suggestion of a commissioner, the commission pretty well knows if they ask me I will refer them to Personnel.

Assemblyman Robinson: Are you under contract at the present time with the County Commission?

Mr. Taylor: Yes, I'm a consultant for the acting director.

Assemblyman Robinson: Do you have a contract with them?

Mr. Taylor: People don't have contracts.

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Assemblyman Robinson: Are you under consideration for a two year contract?

Mr. Taylor: Not a contract, no.

Assemblyman Robinson: Are under consideration for two years of employment?

Mr. Taylor: The problem I had was when I retired I understood from the Retirement Board that I could retire under a medical retirement and I could still do some work in a minor category to make up enough money to live on because my pension won't allow me to pay my bills. At the time I retired I came back to make out my retirement papers and talk to them, they told me if I took medical retirement I would have to take a 12% reduction for every year I was under 60 which is 2 years. So they are taking nearly 24% off my pension that I would get under medical so there is no way I could retire under that system.

Assemblyman Robinson: What assurance do we that with future commissioners we won't be in the same position as you being influenced as you were by the former commissioners?

Mr. Taylor: I won't do what they told me. I've had my experience with that and nobody's gonna tell me something again.

Assemblyman Robinson: How about the next airport manager? Will we have another one that comes along and won't stand up to it?

Mr. Taylor: We plan to hire a man that is a top airport director in the U.S. and if he doesn't know what it is to work for a county or a government then there is no use for him to come and make an application.

Chairman Murphy then called a recess of the meeting to last until after a.m. adjournment of the Assembly the same day.

Chairman Murphy called the meeting back to order at 2:05pm, all committee members were present except Mr. Moody.

Mr. Nicholas Smith of Burrows, Smith and Company passed out a prospectus prepared by this firm in connection with the last offering of revenue bonds on McCarran Airport. He explained that this is the most recent and complete compilation of data on the airport. He discussed some of the facets of the prospectus. He commented on the management and operation of McCarran Field. His firm sold the general obligation bonds twenty years ago there are about a million and three quarters left which were paid by taxes until 1968 and at that time the commission said that there was a need to expand the airport and that they needed to devise a way of financing what at the time seemed like a vast capital improvement program. A new method of financing needed to be devised, they could no longer be paid by taxes. So the commission put a team together which consisted of Burrow, Smith and Company as financial consultants, Landum and Brown, authorities in the airport business, Dawson, Nagel, Sherman and Howard, finest firm of bond attorneys available at the time, they also brought to the study team one of the leading airport managers in the country to study alternatives. Ultimately 23million dollars in revenue bonds were issued and then another 13 million dollars issued last year.

His observations regarding the staff and the commissioners were that they were extremely competent and that they hired the best possible people for consultants and then they backed that team 100%. When negotiations began with the air carriers, who did not want to pay for this capital improvement program, the county was willing to pass an ordinance to impose rates whether the carriers would see fit to sign contracts or not. Ultimately that ordinance was prepared by the county and great political pressure was applied to them not to do so, but they did it, then the carriers backed down and signed the contracts. The Clark County Commission simply said that our people are going to have the finest airport in the county and we are going to get it for them and then they delivered it. His experience in working with the Commission has been one of complete support and they have never quibbled and never failed to provide what he asked for, such as investment bankers from the East to look over the facilities which resulted in much less interest costs on the bonds. He said: I have seen them make hard decision after hard decision, I have nothing but admiration for the way the affairs at McCarran have been conducted. Regarding airport authorities he has come in contact with he stated: There is politics no matter what kind of board is put together. Just because people are not elected by the vote, does not mean that they are removed from politics. If what is at issue here is the performance and the results of what has gone on at McCarran, I can say that that airfield has become one of the finest in the country through extremely difficult times. Very creative things have been done. In 1970 there was a very difficult bond market and yet the bonds were sold. The Clark County Commission has put together the best team to advise them. The job has been done as well as it could have been done by any group and we are proud to have been a part of it.

Assemblyman Robinson asked if Burrows and Smith is the only financial consultant that has been used for McCarran Airport bonds. Mr. Smith said that of the three sets of bonds for McCarran, Burrows and Smith have sold them all.

Mr. Smith told the committee that McCarran Airport Revenue bonds are rated A by Moody's Investors Association. He explained that the financial community has the utmost respect for McCarran.

Mr. Robert M. Johnson, bond attorney with Dawson, Nagel, Sherman and Howard in Denver, Colorado, told the committee that it is unlikely that any bonds could be issued under the bill as it now stands because the bill does not even provide the authority is a body corporate and politic and a political subdivision of the state. He suggested that that be done. The Federal tax exemption is only allowed for tax free status on the condition that the entity is a political subdivision which requires the power to levy taxes, police power, and the power of condemnation. The tax free status of the airport authority is unclear.

A tax exempt rate is about 70% of a taxable rate as a generality assuming you have like quality and term in the securities.

He suggested that language should be added to the act similar to that in A.B. 250 to help the tax status. He questioned the validity of lines 29, 30, 31 of page 2. He also questioned the residency requirement in section 15, subsection 2. There is a lot of redundancy in the act and language that is already contained in the Local Govts Security Act. He also added that the act perhaps might not be constitutional.

Assemblyman Mann entered Mr. Daykin's opinion that the bill is indeed constitutional. It is attached as Exhibit 7.

Assemblyman Robinson asked Mr. Johnson to compare the Washoe County Airport Authority bill with this bill. In reply he said: It is quite a bit different that the Clark County bill because the authority has boundaries that are coterminous with the county boundaries, secondly, that bill issues the issuance of general obligation bonds and the levy of general taxes on a county wide basis to pay those bonds, the Washoe authority would have the power of eminent domain and dominant domain and police power. There should be no questions as to whether the Washoe Authority is a political subdivision whereas there could be many questions regarding the Clark Authority's status.

Thailia Dondero, then read a letter from Mr. John Brown, Airport Management Consultant, into the record. A copy of the letter is attached as Exhibit 8.

Mr. Howard Diemler, Vice President, Diemler and Diekemper, Inc., Airport and Aviation Consultants, former employee of Landrum and Brown told the committee that he had been involved in the Air Service Program at McCarran Airport. He said that the effectiveness of any operating organization has to be measured in terms of its demonstrated results. The success of any organization is attributable to good management, good leadership, good performance of the individuals, rather than the organizational structure itself. He added that a major part of the airport's growth is due to good management. He discussed the growth of the use and facilities of McCarran. With regard to airport authorities he said that members of authorities have vested interests too. Listing diverse qualifications for members of the authority will not necessarily bring the expected results. The McCarran record is extremely impressive and it has been achieved due to good management by the Board of County Commissioners.

Assemblyman Robinson commented that there is no argument that the McCarran Airport is beautiful and that presently it is running pretty well. But to say that people are coming to Las Vegas to see the airport

is not correct; they are coming to Las Vegas to see Las Vegas, otherwise they would get off the airplane, play a few slot machines, and get back on the plane and never leave the airport. The people are coming to see Las Vegas. Las Vegas is what makes that airport go. Things have not been as rosy as you have made it seem. There was political influence in the running of the airport and there is no guarantee that that cannot happen again. I am not saying any indictment against the present commissioners, but there is no guarantee that the same type of abuses will not happen again. I don't know how we can hire another airport manager that won't have to go through the same type of problems the past ones have until he has the spine to tell the county commissioners no. The ballot box is the only thing that is going to eliminate the county commissioners who are abusing the system as far as running our airports is concerned. All of the talk giving the credit to the county commissioners regarding how nice the airport is presently, is nonsense.

Mr. Diemler replied that some steps are being taken to improve and enlarge the airport. It takes a concerted effort to get the tourists to Las Vegas and obviously it is not just the county commissioners, he clarified. In terms of what happened in the past, as far as it not happening again, it involved people and the point I was trying to make was that it is people who make the thing go and not the structure per se.

Mr. Thomas R. Severns, McCarran Airport Legal Counsel, Acting Airport Director, told the committee that he never witnessed any impropriety of any nature, he never witnessed any illegality. If he had, he would have taken it to the District Attorney because that was his duty. The County Commissioners have always fairly managed the airport and what occurred in the Grand Jury situation many years ago has not been witnessed by him. In reply to the comment that some of the contracts have taken 12 months to consummate, he stated that never has service to the traveling public suffered because contracts have taken time. The traveling public always comes first at McCarran and those internal problems have not caused and suffering on the part of the tourists. We are almost finishing the FBO, which is a competitor to the SUMA corporation at McCarran. We started this project in October, it included not only contracting but planning engineering, construction of taxi ways and we will have an operator on board by May 16 due to the federal mandate, which we are following completely. With regard to the slowness of the land acquisition project, the reason for this is that there is no federal money available to start an active land buying procedure. All of our money is going into ongoing projects. It is up to the Congress to give us some federal money, and not because the commissioners are dragging their feet, that we haven't acquired any land.

He commented that there were some basic problems with the bill. One involves the type of entity you are creating and how it satisfies the sponsors eligibility requirements of the federal aviation regulations. I am not sure that it does, in fact I think it does not. Since you are not creating a political subdivision, you cannot comply with ADAP regulations which requires the status of a political subdivision. It also requires eminent domain powers to satisfy many of the grant requirements. He questioned which airports in Clark County the authority would really take over. The bill also has no provisions for public hearings on contracts like NRS496.090. There are problems with the rate making portion of the bill. He questioned the status of the employees of the airport if the transition is made, would they become public employees? They are currently not civil service appointments.

Assemblyman Robinson commented that for a long time the airport did not have a second fixed base operator as they should have.

Mr. Severns replied that the second fixed base operator was a condition of a recent grant agreement whereby they obtained 2 million dollars from the federal government. He added that the federal government knows that there are several airports around the country that don't have the second FBO. The FBO will be finished on May 16.

In response to a question from Assemblyman May, he said that there have been a great deal of problems when transferring employees to a third level entity as far as the retirement programs are concerned etc. Care has to be taken that the employees don't lose their rights in the transition.

In response to a question from Assemblyman Jeffrey, he repeated that there were some big questions in his mind whether they would qualify under the federal regulations as a political subdivision because the entity created in the bill is not high enough in calibre to reach the political subdivision level. The authority also need eminent domain powers.

Robert Broadbent, Clark County Commissioner, told the committee that he is the only county commissioner who was on the Board in 1971, 1972 and 1973 during the Grand Jury. He added that most of the deficiencies that were caused and acted upon by that report were brought out by the county commission itself. The operation of McCarran Airport over the past ten years has been good and adequate. He thinks that the questions of whether a person asked somebody to be hired and questions like that will come up whether the members of the controlling authority are elected or not. The question should be, are the needs of the public better served by elected or nonelected people. He thinks that the elected people serve the needs better. With regard to the problems at McCarran, those people were defeated, and the Board took the proper actions

to stop the abuses.

He added that this bill does not guarantee the rights of the employees in the County Engineering Department who have been so helpful to the airport management and growth. The cooperation between county depts. is what has enabled the county to take care of the expansion of the airports. He stressed the proposed authority's inability to bond and enter into short term financing which is necessary. He concluded that the bill does not allow for the flexibility that is needed for airport management. The county commission has the ability to set ordinances, and bond and short term finance that is needed to maintain the integrity of the airport and maintain the ability to build.

He continued that FAA was responsible for holding up the approval of the Master Plan. "We are also spending every dime available for the expansion of the airport, we are currently buying property on both sides of the airport as money is available." We are also negotiating to purchase the North Las Vegas Airport from SUMA corporation to alleviate the general aviation traffic problem which creates the need to expand McCarran. He outlined the areas of contemplated expansion.

"Political influences will be there no matter who is on the board. People with special interests don't care if they are elected or appointed, they are still going to have their interests. Political influence is best answered by the political activity called lobbying.

With the planning that we have done and with the availability of funds we will grow. But if you don't have the money, you can't expand. We are now using Master Plan 4.

The people cannot be served better by appointed people."

Mr. Broadbent replied to Mr. May's question by saying that no money reverts to the county general fund for county purposes. We only fund the county for specific expenditures.

THERE WAS NO FURTHER TESTIMONY.

There being no further business to come before the committee, Chairman Murphy adjourned the meeting at 3:45pm.

Respectfully submitted,

Kim Morgan

Kim Morgan, Committee Secretary

GOVERNMENT AFFAIRS COMMITTEE

GUEST REGISTER

DATE: 4/26

NAME, ADDRESS & PHONE NO.	REPRESENTING	TESTIFYING ON BILL NO.
Tharic Donders	Clark County	AB 593
Paul Christensen	city of Las Vegas	AB 593
Carl Haviland	Cold Springs Div	SB 402
Roger Rousselle	TRANS-Water Co.	
DAN BROWN	HIDDEN VALLEY WATER	SB 402
M. S. Peek	Valley WATER Co	SB 402
George F Peek	Valley WATER Co	SB 402
VIRGINIA J TOWER	WASHOE CO	SB 509
ML MICHAELSEN	WASHOE CO	SB 509
ERLE A. TAYLOR	CLARK COUNTY	AB 593
HOWARD E. DIEMLER	DIEMLER & DIEKEMPER	AB 593

This report is being made by the 1972-73 Clark County Grand Jury as a result of allegations and reports of possible irregularities in the management and operation of the Clark County airport facilities. In an effort to determine the correctness of these allegations and reports, the Clark County Grand Jury took testimony from several witnesses and examined reports, business documents, and official records. Though insufficient evidence was presented to justify criminal indictments we feel the following findings and recommendations are pertinent to good government. The findings of this investigation and the recommendations made pursuant to these findings are contained below.

For clarity this report has been divided into eight individual sections. These eight sections are:

- I. The leasing of trailers from Action Mobile Homes for temporary facilities at the airport.
- II. The County Purchasing Department.
- III. Circumstances surrounding and included with the original airport carpet and maintenance contract.
- IV. The contract and construction of the Indian Jewelry concession.
- V. The awarding of the Vegas Visitor exclusive contract.
- VI. Personnel policy at the airport.
- VII. Airport legal counsel.
- VIII. Final recommendations.

In the first seven sections of the report after reporting the findings in each instance, specific recommendations will be made regarding each item; and finally, in section 8 of this report, final and general recommendations will be made that the Grand Jury feels will aid in correcting some of the deficiencies that have existed.

I. ACTION MOBILE HOMES OFFICE RENTAL

In the case of Action Mobile Homes, due to failure to get bids, the expenditure of public funds will be much greater than would have been necessary if the requirements had been put to bid. No sound reason was found for an emergency declaration negating bid procedures.

A. Findings

1. The trailers were rented at \$165 per month whereas our investigator got a quote on a similar trailer for \$95 a month. The difference represents an excess expenditure of \$70,560 over the approximate 28 months to which the County Commissioners obligated the County.

2. Our investigator got a quote on a purchase of similar trailers at \$2,700 each. To date the County is obligated to pay rental equivalent to \$5,000 each for the use of the present trailers.

3. The County is further obligated to an expenditure of approximately \$18,000 for the moving in and out, setting up and tearing down of the trailers. This is another item that did not go out to bid.

4. The State statutes require that any purchase or contract amounting to more than \$2,500 must go to bid.

5. The County regulations specify a maximum limit of \$1,000 above which bids must be taken.

6. Nowhere could a contract between Action Mobile Homes and the County be found.

7. Documentation of airport administration action is extremely lax as witnessed by the absence of a contract with Action Mobile Homes.

B. Recommendations

1. We recommend that the County Commissioners require the Director of Aviation to plan and conduct airport business so that

County and State requirements regarding bidding can be followed.

II. PURCHASING DEPARTMENT

The Purchasing Department appears to accept no responsibility to assure compliance with State and County statutes regarding bidding and seems merely to execute requisitions as supplied to them by such departments as the airport. Further, their filing practices appear to be very lax.

A. Findings

1. Our investigator could find no contract for Action Mobile Homes in the purchasing files.

2. Our investigator copied all items from the Action Mobile Homes file in September 1972.

3. On December 7, 1972, on a return visit to the Purchasing Department some of those items were no longer in the files but appeared to be replaced with differently numbered requisitions which were not in the files in September.

X B. Recommendations

1. We recommend that the County Commissioners ask for a public explanation of the changes in the files regarding Action Mobile Homes as found by our investigator.

III. CARPET AND MAINTENANCE CONTRACT

In July of 1971, the airport entered into an amended contract with Bonded Services which called for an additional 62,000 square feet of carpet plus installation in return for a monthly fee of \$7,843 for a period of 24 months. This was done without going to bid.

It appeared that the airport attorney, during the times of negotiation with Bonded Services, was also their resident agent.

A. Findings

Evidence presented to the Grand Jury indicated the following:

1. Prior to July, 1971, Bonded Services had a contract for maintenance of the airport floors, windows, etc., for the sum of approximately \$13,000 per month. The amended contract for July, 1971, called for the supply and installation of 62,000 square feet of carpet at an increased monthly cost of \$7,843 per month to run for 24 months.

2. This calculates to cost \$27.32 per square yard for this carpet which appears to be an excessive figure.

X 3. There is no record of any effort being made to get competitive bids with regards to this major change in the airport contract.

4. There is no evidence of any reason why this could not have gone to bid.

X 5. We are told that Bonded Services takes the position that they own the carpet in the airport which makes the \$27.32 per square yard price appear even more exorbitant.

X [B. Recommendations

1. We recommend that the County Commission take positive action to insure that all governmental departments responsible to them fully comply with Nevada Revised Statutes and county regulations concerning purchases that require bidding.

IV. INDIAN JEWELRY CONTRACT

X The Indian Jewelry contract appears to be an example of political interference with management of public bodies, of general mismanagement and lack of control, specifically with regard to the airport.

A. Findings

Evidence presented to the Grand Jury indicates the following:

1. A contract with Kiva, Inc., is dated October 5, 1971, and called for "The Indian Jewelry Shop and related Indian Products Shop at McCarran International Airport as shown on

prints hereto attached, marked Exhibit "A" and by reference made a part hereof."

2. It appears that at the time for approval of the contract there were no such drawings and therefore those who approved the contract had no way of knowing what was involved.

3. The contract as submitted to the Clerk of the Board of County Commissioners was not signed by the Director of Aviation.

X 4. Testimony was presented to the effect that there is no record whatsoever regarding the Kiva contract on the October 5, 1971 agenda. Yet, it is listed on the October 5, 1971 agenda minutes. It was testified that there is nothing regarding this on the tapes or the shorthand notebooks in the Clerk's office. It is suggested that the County Commissioners ask the County Clerk or her representative to come forth and give a complete and total explanation of how it could happen that a matter could appear in the agenda minutes when it is not on the agenda and no mention is found of the subject in the tapes and shorthand notebooks in the Clerk's office. It would appear that this explanation could result in the necessity of an investigation by the Grand Jury into matters of this type. It is beyond the comprehension of those making this report how the County could approve a contract of this nature, without it coming before the Board for discussion, and a judgment being made after that discussion.

5. The contract as signed mentions and contemplates the existence of "drawings" which in fact did not exist at the time of the contract signing and to the best of our knowledge did not exist until some time after the execution of the contract. Perhaps the County Commissioners can provide us with an answer as to why they did enter into a contract containing provisions of this type. It is not clear to us.

6. Evidence indicated that facilities or space already existing at the airport were to be used for the location of the Indian Jewelry store instead of a special structure being built as was done at the expenditure by the County of \$14,500. Evidence to support this included the fact that Mrs. Cline, in her request to S.B.A., secured a loan in the amount large enough to cover construction of the facility. Further evidence indicated that the loan was later reduced in amount because the County had, at their own expense, built the structure for her.

7. That the Director of Aviation admitted to the Grand Jury that he was unaware of the special location and structure until the time he saw it being built in the airport. This would indicate that he was not exercising sufficient control over airport activities in this matter.

X 8. Further evidence presented to the Jury indicated that undue pressure was exerted upon the Director of Aviation by an elected member of the County Commission. This pressure influenced the location against the recommendation of the airport consultants and the architects and resulted in other special considerations to the lessee.

B. Recommendations

1. That the County Commission examine the contract to determine if there is any reason why Kiva should not reimburse the County for the expenses involved in the Indian Jewelry Store.

2. That the County Commissioners establish procedures which would insure that the Director of Aviation receives his guidance officially from the Commission as a whole and in writing. That members of the County Commission refrain from exerting personal pressure upon Department Heads to give special consideration to anyone in any regard.

V. THE VEGAS VISITOR CONTRACT

A. Findings

Evidence presented to the Grand Jury indicated the following:

1. That pressure by an elected County Commissioner was exerted upon the Director of Aviation so that the newspaper, the Vegas Visitor, ended up with the exclusive franchise at the airport.

2. This was in violation of the County law which requires that any item or contract entered into by the County in excess of \$1,000 be subject to bid.

3. The Director of Aviation informed the Grand Jury that a County Commissioner personally told him to give the contract to his friend who had an interest at the time in the Vegas Visitor.

4. That at this time, Hart and Johnson of St. Louis had the master advertising contract at the airport and that the Director of Aviation, as a result of this pressure from the County Commissioner, instructed the advertising company to give the contract to the Vegas Visitor; that the rate received for the contract was \$500 per month for the airport, an income to the airport of \$6,000 annually.

5. This would not appear to be in the best interest of the taxpayer of Clark County in that it did not go to bid; therefore, the County was probably denied revenues in excess of the amount in the contract. Evidence of this is in the fact that on February 5th of this year under a new advertising agency who has a master contract, this item was put to bid and instead of the \$6,000 revenue that the Vegas Visitor paid, the County can now receive \$15,600.

X B. Recommendations

1. It is recommended that regulations be put into effect prohibiting any elected official ever being able to be in a position where he can exert pressure on a department head that would put that department head into a position where he

would do something against his better judgment and in violation of county rules and regulations.

2. That there be strict enforcement of county rules and regulations to insure that all items that qualify be subject to bid.

VI. PERSONNEL POLICY

It appears that the Director of Aviation has been subject to pressure with regard to personnel employment and administration.

A. Findings

Evidence presented to the Grand Jury indicated the following:

1. The Director of Aviation was instructed to hire an individual whose performance turned out to be completely unsatisfactory and the Director, for a period of approximately three years, did not feel free to terminate this individual as his judgment dictated.

2. A second individual was hired under pressure from various county people. While this individual appeared to be reasonably well qualified for his job, his salary was dictated to the Director of Aviation and he carried on outside business activities during normal work hours at the airport. This man was paid as a vendor selling services to the County and not as an employee of the County. Recently his pay was increased \$200 per month for these services.

X B. Recommendations

1. We recommend that the Director of Aviation be held completely responsible for hiring, supervising and firing of personnel and further, that it be made clear that the Director is to be free of all political influence regarding personnel.

VII. AIRPORT LEGAL COUNSEL

From the evidence presented to the Grand Jury, it would appear that the airport legal counsel who was hired and paid by

the County to protect their legal interests did, in several instances, at least give the appearance of having a conflict of interest in matters relating to the airport.

A. Findings

1. The airport attorney drew up the incorporation papers for Bonded Services prior to 1966, and served continuously as their resident agent until July, 1972. During this time he was acting as attorney for the airport during which period he drew up the contract that existed between the County and Bonded Services and served in both capacities while extensions and increases in this contract were put into effect. In addition, he stated that in recent months he had acted more directly for Bonded Services in drawing legal documents to be used by them in contract proposals by other airports.

2. The airport attorney drew up the incorporation papers for Kiva, Inc., and was shown on these papers to be resident agent for this corporation. This is the same corporation that entered into a contract with the County for the Indian Jewelry store. Evidence further showed that the attorney was directly involved in the drawing up of the contract between the County and Kiva, Inc.

3. In addition to these above instances of appearances of conflict of interest, it was felt that the airport legal counsel did not act in the best interests of the airport of Clark County in that he did not advise the Director of Aviation or the County Commissioners of the legal requirements for competitive bidding on the Action Mobile Home rental transactions.

B. Recommendations

1. It is recommended that the County hire or retain only legal counsel that will serve solely the County in all matters relating to County business.

2. It is recommended that investigations be made to

see if there are any other conflicts existing between the airport legal counsel and the County regarding any other concessionaires at the airport.

VIII. FINAL RECOMMENDATIONS

We recommend, for immediate action, the following:

A. That the County Commissioners establish that the Director of Aviation be head of airport operations; that he be held responsible for planning and conducting airport activities in a sound, businesslike manner.

B. That the County Commissioners take adequate steps to insure that the county purchasing practices comply with State and County regulations requiring bidding.

C. That the Director of Aviation be held responsible for investigation of possible conflict of interest and reporting in writing his findings to the County Commission.

D. That the District Attorney's Chief Civil Deputy's office properly discharge its acknowledged responsibility to advise the County Commissioners regarding compliance of their actions with State and County requirements in such matters as necessity to seek competitive bids and proper contract forms and procedures.

E. That the emergency purchase provision be invoked only after written documentation of the reasons for the emergency and a determination that a true emergency exists in accordance with Nevada Revised Statutes definitions.

F. That the County Commission should establish all airport policies in open meeting and convey same to the Director of Aviation in writing.

G. That the County Commission should make it clear to the Director of Aviation that the airport is the property of the citizens of Clark County and expenditure of airport funds regardless of their source is an expenditure of the citizens' property.

H. That the County Commissioners stop what appears to be blanket acceptance of Department Head's recommendations and start asking such questions as:

Why didn't the Director of Aviation get the answers he needed from the airlines in time to get bids on the mobile homes?

Why didn't he know what was going on regarding "Teepee" design, location and construction long before he apparently did?

Why did he not know the "clerk of the works" was spending considerable work time on personal business during time he should have been concentrating on airport business?

I. Finally, we recommend that the Nevada State Legislature create an airport authority for the County of Clark which will be free of political influence; that the authority be composed of not less than seven qualified individuals; that these individuals be appointed for staggered terms of not less than four years; that they be qualified in the area of concern to the airport, such as personnel administration, attorney, finance (bonding), businessmen and interested citizens. The authority should also have a suitably qualified technical advisory board.

COMMITTEE ON FEDERAL, STATE AND LOCAL GOVERNMENTS

Minutes of Meeting -- April 13, 1973

The forty-third meeting of the Committee on Federal, State and Local Governments was held on the 13th day of April, 1973, at 5:15 P.M.

Committee members present: Chairman James Gibson
John Foley
Coe Swobe
Chic Hecht
Lee Walker
Carl Dodge
Stan Drakulich

Also present were:

Thalia Dondero, Las Vegas Chamber of Commerce
Russ McDonald, Reno City Manager
Sheriff Bob Galli, Washoe County
Don Peckham, Washoe County Assessor
Mr. Brown, Washoe County Clerk
Leroy Bergstrom, Washoe County
Kevin Efromyson, Clark County School District
Richard Morgan, Nevada State Education Association
Ed Psaltis, Washoe County Schools
Dr. Paul Fenske, Desert Research Institute
James Wittenberg, State Personnel
Bob Gagnier, Nevada State Employees Association
Angus MacEachern, City of Las Vegas
Press

SB-624 Requires certain counties to create airport authorities.

Thalia Dondero from the Las Vegas Chamber of Commerce spoke in support of this bill. She believes that an airport authority is a necessary vehicle in order to have more power and improve the conditions there. The area is growing fast and they don't like to see any unnecessary delay in getting things done. In reply to Senator Gibson, Mrs. Dondero stated that the airport is under the county and state Purchasing Act. Chairman Gibson requested that Mrs. Dondero furnish the committee with a copy of the Grand Jury report.

Myron Leavitt, Chairman of the Board of County Commissioners of Clark County testified in opposition to the bill. He said he didn't feel the right should be taken away from elected officials to govern a governmental entity.

The Chairman asked about what was being done with purchasing procedures. Mr. Leavitt stated that all purchasing at the airport goes through the purchasing agent of the county.

Dr. Broadbent stated that they had a firm contract policy which specifies the manner and method of all contracts.

The Chairman asked if the airport was under the county personnel system. Mr. Leavitt stated that it is.

~~SB-631 Authorizes Clark County to improve and equip county hospital facilities and to issue revenue bonds and other securities payable from net pledged revenues derived from county excise taxes.~~

~~Dr. Otto Ravenholt, administrator of Southern Nevada Memorial Hospital for the Board of Trustees submitted minutes from Board of County Commissioners meeting of March 20. A copy is attached hereto as Exhibit "C". He then gave a brief history of the hospital and what it does. The basic request is that they be permitted to borrow against the ten-year period of the allocation of gaming excise revenue. They need to replace the physical plant at the hospital, and this would not impose a new tax as the tax is already being collected and allocated for this particular purpose.~~

~~Dr. Harris Knutsen, chief of staff of Southern Memorial Hospital testified. He stated that the physical plant is deteriorated and therefore expensive to operate. Cited need for capital relief to replace some of the physical plant.~~

~~Senator Swobe asked why they hadn't tried general obligation bonds. Dr. Knutsen stated that he was not opposed to that method but that the time schedule at this point is serious.~~

~~AB-450 Prohibits issuing building permit unless restrictions on property are observed.~~

~~Joe Midmore testified in opposition to the bill. He stated that if it was a logical piece of law that it should apply to the entire state, and felt that it is wrong to ask local~~

COMMITTEE ON FEDERAL, STATE AND LOCAL GOVERNMENTS

Minutes of Meeting -- April 16, 1973

The forty-fifth meeting of the Committee on Federal, State and Local Governments was held on the 16th day of April, 1973 at 7:00 P.M.

Committee members present: Chairman James Gibson
John Foley
Lee Walker
Coe Swobe
Chic Hecht
Carl Dodge
Stan Drakulich

Also present were:

Thalia Dondero, Las Vegas Chamber of Commerce
Myron Leavitt, Clark County Commissioners
Dr. Bob Broadbent, Clark County Commissioners
Dr. Otto Ravenholt,
Dr. Harris Knutsen, Southern Memorial Hospital
Joe Midmore, Builders Association
John Meder, County Commissioners
Bob Warren, Nevada Municipal Association
Press

SB-624 Requires certain counties to create airport authorities.

Thalia Dondero read report by 1972-73 Clark County Grand Jury and gave copies of same to members of committee. Report attached hereto as Exhibit "A". A "Statement from the Greater Las Vegas Chamber of Commerce" on SB-624 is also attached hereto as Exhibit "B".

The Chairman asked Mrs. Dondero to summarize the recommendation. Mrs. Dondero recommended that there be an airport authority with a good airport manager, and emphasized that we need to reorganize. The Chairman asked if there was a special committee of the Grand Jury that dealt with this? Mrs. Dondero stated that there was a special committee of five members from the entire group of seventeen members that made the report and then reported back to the whole group. They spent two months on the study. The county commissioners and the airport manager both have copies of the report.



KEN O'CONNELL
Executive Vice President

April 16, 1973

A STATEMENT FROM THE GREATER LAS VEGAS CHAMBER OF COMMERCE
TO THE SENATE FEDERAL, STATE AND LOCAL GOVERNMENT COMMITTEE

CONCERNING SB-624 WHICH REQUIRES CERTAIN COUNTIES TO CREATE AIRPORT AUTHORITIES.

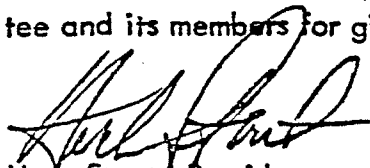
The Greater Las Vegas Chamber of Commerce together with its State Legislative Action Committee, its Board of Directors, and its Membership, urge that you give every consideration to the creation of a Clark County Airport Authority.

The Chamber wholeheartedly approves SB-624 based on the findings and recommendations of the Clark County Grand Jury of which Thalia Dondero, who represents our Chamber, was a very active member. We believe the Grand Jury gave considerable research and study to the situation at McCarran International Airport and their recommendations to enact a Clark County Airport Authority have great merit.

McCarran International Airport plays an integral role in the basic industry of tourism-convention for Southern Nevada. It is our feeling that the Manager or Executive Director of McCarran International Airport has the authority to make decisions relative to the operation of the facility without political influence or interference.

It is our hope that this session of the Nevada State Legislature will enact a Clark County Airport Authority as structured under SB-624.

The Greater Las Vegas Chamber of Commerce wishes to express its appreciation to this Committee and its members for giving our organization the right to be heard on this vital issue.


Herb Stout, President

Greater Las Vegas Chamber of Commerce

Exhibit "B"

1396

TESTIMONY BY DAN EVANS
Before Assembly Government Affairs Committee
Assembly Bill No. 593
April 26, 1977

Mr. Chairman and Members of the Committee, my name is Dan Evans, current address is 1319 Ridgecrest Court in Santa Rosa, California. I came to Clark County in Las Vegas, McCarran International Airport, in September 1971. Until April 5 of 1977, at which time I was the Airport Manager, my responsibilities were primarily the day-to-day operations of the airport and I was directly responsible to the Director of Aviation. The comments that I have relative to this particular bill are primarily on how they personally affected me in the day-to-day operation of the airport and my observations of the government entity that was responsible for the operation of the airport. Very quickly - I spent 11 years in the Marine Corps. I was a pilot and I reached the rank of Major. Upon leaving the military, I went back to school to receive a degree in airport management and, upon graduation, I went to Norfolk, Virginia. I stayed for approximately two years, and, at which time I left I was Assistant Airport Manager. That was September 1971, when I did come to Las Vegas. Since I have been in Las Vegas I have been a member of the American Association of Airport Executives and I did receive the necessary status to receive an A.A.E., airline executive status. I have been within government work for 18 years. I have been in aviation for approximately 18 years. My reason for resigning were as generally outlined by the Review Journal in an article which I believe has already been passed out to you. Those reasons are correct. Mainly, they were personal. They were personal because my family has specific requirements which I believed were not

being met while living in Las Vegas at that particular job. The work-related problems that I had are as indicated and were oriented around bureaucracy. As the article states, bureaucracy was what forced me out after 18 years in government work. Mainly because I needed the mobility to be able to do the things that needed to be done in a timely manner. The aviation industry today is a dynamic industry and fast moving profession and, unless official policy is established, long-range plans formulated, and specific goals established, the Airport Manager today cannot do his job adequately. The present situation in Las Vegas appeared to me to not be conducive to meeting the near and long-term requirements to stay up with growth in the aviation industry primarily because no specific guidelines were ever established. In the day-to-day operation, contract-to-contract or lease-to-lease, the airport staff never knew what special interest from outside might influence or govern the policy established when dealing in the next area of concern. Especially in the area of leased concessions, which have often been subjected to local politics, it is not always conducive to the public's interest in terms of optimum airport facilities. Airport concessions should be bid on a truly competitive basis and awarded on the basis of the best service offered with the maximum return in generated airport revenues as considerations for awarding such bids.

A specific case in point deals with contracts themselves. The contracts in the past were truly economic and the best service to the public was not fulfilled in my opinion. Also, very important - the time element to actually consummate a contract has taken upwards of 12 months which in my opinion in dealing with this type of contract is excessive. In dealing day-to-day with existing tenants or with

prospectice tenants, it became very difficult to deal with their future requirements because the future plans for airport development were not finalized. Therefore, all dealings had to be short-term or based on our best estimate of the way development would progress. The airport master plan was not accepted locally, primarily because economically it would have been an almost impossible burden to finance for the long term that was recommended. An alternate plan was introduced. In my opinion the alternate plan could have provided short-term relief but was never officially acted on. The Master Plan indicated McCarran International Airport would reach capacity in 1977. From what I saw in the last part of 1976 and the first part of 1977, I saw that this prediction in the master plan would come true. Once again, when a decision on future development is finally made it will take 18 to 24 months to complete an Environmental Impact Statement, 6 months to 1 years to complete design and, during that period of time, acquire additional land that may be required to allow the expansion to happen, and another 12 to 18 months for construction for actually constructing the facilities that are involved. That meant that the McCarran International Airport was four to five years behind in meeting aviation needs. That only deals on the airfield side, the requirements for aviation or aircraft. Similar decisions needed to be made and are still required today, regarding vehicle traffic control, parking facilities, baggage room facilities, and the terminal building itself. Again, decisions must be made. The Board of County Commissioners in my opinion lack the necessary time in view of their increasingly heavy workloads and time commitments to adequately serve the needs of Las Vegas growth and, at the same time, keep pace with the running of administrative machinery necessary to cope with the complex problems of the 21st largest airport in the United States.

Expertise for such administrative machinery can best be acquired and retained by virtue of an airport authority, whose members may concentrate their available time energies and abilities to the task of overseeing airport operations without the distractions commonly associated with service on the county commission. In other words, members of an authority may truly become specialists in their assigned responsibilities. I cannot say that an airport authority could solve all the problems at the airport, but I do feel that an airport authority might be more responsive to the problems outlined in terms of greater attention to airport needs and a more professional approach to the airport's operation.

QUESTIONS:

Assemblyman
Robinson

On the master plan that turned out to be unfeasible, was the alternative plan adopted?

To my knowledge, the alternative plan was not adopted to the point where I ever felt comfortable in telling people who might want to provide or building additional facilities at the airport just exactly where the development was going to take place or what area or land was available for the future use.

Assemblyman
Robinson

Land acquisition?

To my knowledge, no sir.

ASSEMBLYMAN ROBINSON:

You mentioned also taking 12 months to negotiate a contract. Was that the red-a-car contact?

Yes, it was.

ASSEMBLYMAN ROBINSON:

Why did it take so long to negotiate a contract? What held it up?

It is rather difficult to say what particular thing would actually take or cause the contract to take that long. The contracts were to expire in approximately June or July of 1976. The subject was first introduced to the Board of County Commissioners in January 1976, advising that it was a necessity to start working on those contracts. We were requested to establish criteria for selected proposals, breaking down into several areas depending on the types of operator that he was. After official proposals were received, they were reviewed and 6 companies were selected as a result of the proposals based on the categories they had been placed in and then negotiations for an actual contract took place. I can't think of any specific reason in my opinion it was just a matter of decision.

ASSEMBLYMAN ROBINSON:

The decision that was finally made by the commissioners - do you think the decision they finally made was the best one deal for the airport?

I think that, if you took all of the proposals that were received and not try to segregate them into different categories, just list them in terms of the services they can provide and evaluate them on the services that they can provide and the economics, I do not believe that the rent-a-car contracts were appropriate as they were selected.

ASSEMBLYMAN CRADDOCK:

How do the landing fees at McCarran compare with other airports?

I can't answer that, sir. Primarily, because landing fees are established based upon whatever type of contract or financial arrangement that you have with the airlines that fly into the airport. If one airport has a landing fee of 25¢ and one has a landing fee of \$1.00, that does not justify raising your landing fees. In other words, it is a total economic package that the administration would attempt to maintain a self-sufficient operation based upon all of the economics involved.

ASSEMBLYMAN CRADDOCK:

I can understand that, but a big source of revenue is the landing fee, is it not?

It is a large portion of it, but so are the revenues generated by concessions or the revenues that are generated by the rental of space that is used by concessions and airlines. The airlines generate a large amount of money just from the rent.

ASSEMBLYMAN CRADDOCK:

What I am getting at is are the people really getting their money's worth and I want to find out what the revenue is derived from. It would seem likely that the airport management would lend itself to a study of the revenue. Do you think that would be a proper support for the management to do?

I understand that, sir. You cannot establish any program in dealing with the airline just because a landing fee or rate package is established at another airport. You have to look at just exactly what your own personal needs are and at the airport for the cost of the

day-to-day operation and for the future requirements on expansion. I believe that the rate package that was established in dealing with the airline was a very fair and equitable arrangement. I do not believe that the airlines were being overcharged. I believe that the rent and the landing fee was adjusted periodically within a reasonable period of time so that the airport did retain its self-sufficient operation. These fees were also created as a result of discussions with the airlines themselves. They were always indirectly involved and always kept advised as to just exactly what the financial burden upon them would be.

ASSEMBLYMAN CRADDOCK:

Would that be a proper method of establishing fees?

Yes sir.

ASSEMBLYMAN JEFFREY:

In speaking of the master plan that was not adopted at the airport, are you speaking of the master plan that was, I believe, there were several alternatives to the plan? Can you give us an idea of what the policy was of the master plan which is the alternate?

The alternate that was finally adopted by the master plan, if my memory serves correctly, was in excess of \$300 million over a period of 20 years.

ASSEMBLYMAN JEFFREY:

What alternative was that? I was on the Eldorado Valley Advisory Group at that time and we were interested because we were interested in building a facility in Eldorado Valley. I believe that was about the third alternative if I remember right. As I remember the master plan, the first alternative which was the most desirable in the eyes of the people that made the report would have eliminated a large number of

houses, businesses, golf courses and use many acres of land that would have had to be purchased. I believe there was several hundred acres.

Again, I don't have the master plan in front of me and I will be honest with you, it has been a while since I have had any direct involvement with a volume that is approximately that thick (gesturing). The master plan as I remember would call for acquisition of 1500 to 2000 acres over a 20-year period of time, the creation of three runways over that period of time, a parallel or carrier runway to the existing east-west runway and then the two additional general aviation runways and a general aviation complex. The acquisition of land and other support building as required in the concept was in my opinion not a bad concept and I think one of the reasons the Board of County Commissioners were not able to reach a decision on that master plan is primarily because of the economics. If we had actually taken the costs involved in the first phase of this master plan and used the same type of concept that we have used in the past in developing a type of rate charge package I believe that the rates to the airlines would have been excessive. This is one of the reasons that the Director of Aviation at that time did come up with an alternative proposal. The master plan is done every five years. It is done for a 20-year look in the future. The alternative that Mr. Taylor came up with at that time did provide some short-term relief. My problem with it primarily was that no action was taken to allow us to proceed with the alternative itself.

ASSEMBLYMAN JEFFREY:

What alternative are you looking at here?

The alternative of coming in to take one of the other alternatives within the plan itself and to put in a parallel general aviation runway, a parallel with the existing carrier runway. This runway **1404**

would have been positioned where as the need required it could have been lengthed and strengthened to allow for the carrier runway which was ultimately required. This was to be located 900 or 1200 feet, if I remember correctly, south of the existing runway.

ASSEMBLYMAN JEFFREY:

You are not talking about an alternative then of building another airport in another location?

No sir.

ASSEMBLYMAN ROBINSON:

When you first started your statement you mentioned contract-to-contract and lease-to-lease and you felt that there were influences that made it difficult for you to know just what the policy was. To your knowledge have any elected officials ever approached you or the Director of Aviation in personal matters of hiring someone?

I won't speak to any approach to the Director of Aviation, but I can say that during my period of time at the airport I was approached.

ASSEMBLYMAN ROBINSON:

Did you hire them?

Yes, I did.

ASSEMBLYMAN ROBINSON:

Did you feel any obligation to sustain them in their positions even though their performance might not have been what it should have been because they were hired at the request of an elected official?

Yes, I did.

ASSEMBLYMAN ROBINSON:

I think this is what we were talking about about being free of political influence.

ASSEMBLYMAN MAY:

I think that from what I have read about your leaving McCarran, you indicated that the one reason you left was because/of the present ^{inability} governing body of the airport to make a decision with regard to the adoption or in-adoption of the master plan. Was that the primary feature?

I don't mind answering. I think that your statement is correct. Everything that you primarily do relative to dealing with the tenants or prospective tenants is all oriented around what you are going to do in the future. Yes, I believe it was the master plan.

ASSEMBLYMAN MAY:

In addition to Dr. Robinson's question, you indicated I believe that you felt you were subjected to pressure to hire individuals for one or more political officials. Did this cause a direct hardship upon the operation of the airport?

No.

PRESENTATION BY CLARK COUNTY
before
ASSEMBLY GOVERNMENT AFFAIRS COMMITTEE

Assembly Bill No. 593

April 26, 1977

I. INTRODUCTION

Thalia M. Dondero
Chairman, Clark County Commission

II. AIRPORT MANAGEMENT

Erle Taylor
McCarran Airport Director of Aviation

III. AIRPORT CONSULTANT

Howard E. Diemler
Diemler & Diekemper, Inc.

IV. BONDING/FINANCIAL CONSULTANTS

-Robert M. Johnson, Bond Counsel
Dawson, Nagel, Sherman & Howard

-Nicholas G. Smith
Burrows, Smith & Company

V. LETTER FROM JOHN BROWN, AIRPORT MANAGEMENT CONSULTANT

Thalia M. Dondero
Chairman, Clark County Commission

VI. DISCUSSION OF BILL

Thomas R. Severns
McCarran Airport Legal Counsel

VII. TECHNICAL DISCUSSION

Larry Larson
McCarran Airport Business Manager

VIII. CONCLUSIONS

Robert N. Broadbent
Clark County Commissioner

①

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exhibit 6

MCCARRAN INTERNATIONAL AIRPORT
FACTS AND DATA

McCarran International Airport came into being in its present location in 1948 as a small air carrier facility operated from a small terminal building on Highway 91 or west side of the ^{AIRPORT} field.

As Southern Nevada grew in the 1950s and 1960s and as it became the nation's most famous and attractive tourist resort and entertainment mecca, the airport was kept almost in a continual state of expansion and development until today,

McCarran has become the nation's 21st largest airport. It is a modern, attractive and functional facility which all Southern Nevadans point to with pride. It is an excellent example of a public facility which really serves ^{THE CLARK COUNTY AND} -- not just ^{SURROUNDING} AREA 40 hours per week, but around the clock, day in, day out, year in, year out.

FINANCES

McCarran has enjoyed the status of being a totally self sustaining airport since 1968 an objective sought by virtually all airports in the country but reached by only a few. Self sustaining, or supporting, means that all the expenses of providing, maintaining and operating the airport are borne by the users and that no general or special taxes are levied by the ^{COUNTY} ~~community~~ to support the airport.

In a very real sense, the scheduled air carriers (seven at McCarran) ^{SUBSTANTIALLY SUPPORTS} the self supporting nature of the airport through a schedule of terminal rentals rates and airfield landing fee charges which are established by County Ordinance and

1438

2

which are amended from time to time as required. These airline revenues are supplemented by many different types of concession and other lease revenues which add to the airport's financial strength. Revenue from slot machines (\$1,800,000 in 1976-77) is kept separate from other airport revenues and provides an excellent supplemental source of funds to develop the airport as short term needs arise.

INT'L TERMINAL
& ENGINEERING
BLD.

CAPITAL PROJECTS AND EXPANSION

As mentioned above, the airport has seemingly been involved in a continual expansion program since its early years, but it was during the early 1970s when an extraordinary construction program moved the airport from ordinary status to one of the nation's finest and largest. From 1969 until the present, funds expended on construction and equipment needs at the airport totalled almost \$48,000,000 (see schedule of capital improvements attached).

Even though scarcely enough time has passed to allow the new "concrete to cure", plans are already under way to formulate the next phases of McCarran's expansion. Because lead time in providing additional airport facilities is so great, those responsible for airport development are now thinking and planning for Southern Nevada's aviation needs into the 1995-2000 period.

MC CARRAN'S PLACE IN THE COMMUNITY

To simply state that the airport and its operations are of paramount significance in Clark County would be a self evident premise for Las Vegans who use and depend on the airport as much as they do. Some highlights are in order.

(3)

39.3%

For example, approximately ~~3%~~ of all the people who visit Las Vegas arrive by air -- just about 4 million visitors this year. And now in the face of decreasing regulations by the CAB and with relaxed charter rules, a new era of lower fare air travel promises to attract a new category of visitor to Las Vegas who hasn't been able to make the visit before.

MARKETING
BULLETIN
PAGE 15

Businesses at McCarran employ approximately 2,600 people with an annual payroll of about \$30,000,000. Seven certificated air carriers serve Southern Nevada through McCarran and the average number of their daily flights is now approaching 300. Other certificated carriers have made application to the CAB for routes to Las Vegas and bilateral discussions are continuing with the Mexican and Canadian governments for direct routes from points in these countries.

WIDE BODIED
747'S
DC-10.
LOCKHEED 1011

The Board of County Commissioners has always taken a very active roll in the pursuit and encouragement of new aviation routes to Las Vegas and are committed to having the airport keep pace or even stay ~~ahead~~ ahead of Clark County aviation and tourists needs.

MR. CHAIMAN - THIS BILL WOULD SPELL DISASTER FOR MCCARRAN INTERNATIONAL AIRPORT NO MATTER WHAT TYPE OF BOARD OR COMMISSION OPERATES THE FACILITY.

L.E.L.
4/18/77

CLARK COUNTY DEPARTMENT OF AVIATION
SCHEDULE OF CAPITAL PROJECTS

<u>PROJECTS</u>	<u>DATE OF COMPLETION</u>	<u>TOTAL COST</u>	<u>F.A.A. PARTICIPATION</u>	<u>COUNTY PARTICIPATION</u>
Bond Funds				
Terminal Building Expansion Phases I and II	7/74	\$15,773,233		\$15,773,233
Moving Walkways	7/74	786,320		786,320
Baggage Area Fence	11/73	10,918		10,918
Disposal Vault	1/72	38,472		38,472
General Aviation Runway ADAP-01 (Airport Development Aid Project)	9/71	819,802	\$ 171,400	648,402
Airfield Overlay and Expansion	11/75	9,633,722	6,043,210	3,590,512
Land Acquisition	11/75	2,700,499	1,700,502	999,997
ADAP-02				
Terminal Aprons and Ramps	7/74	1,755,608	1,097,255	658,353
Relocation of Sunset Road	9/74	158,927	93,641	65,286
International Arrivals Ramp	1/75	654,058	408,786	245,272
Entrance and Exit Road	9/75	631,026	246,731	384,295
ADAP-03:				
Security Fencing	7/74	92,352	73,821	18,531
Perimeter Road	7/74	40,795	25,497	15,298
Security Flood Lighting	9/75	232,026	190,262	41,764
ADAP-05:				
Transient Parking Apron Paving	6/76	1,314,497	816,896	497,601
Apron Widening	5/75	215,376	133,662	81,714
Phase I Land Improvements	1/72	399,139		399,139
Parking Lot Improvements	3/73	563,681		563,681
Exterior Signing	7/75	333,071		333,071
Other Miscellaneous Projects		133,297		133,297
 SUBTOTAL COMPLETED PROJECTS		 \$36,286,819	 \$11,001,663	 \$25,285,156
 In Progress				
ADAP-06:				
Land Acquisition Area "E"		\$ 2,790,733	\$ 2,093,052	\$ 697,681
ADAP-07:				
Land Acquisition Area "A"		2,833,533	1,955,111	878,422
Ramps and Taxiways Second FBO		250,822	188,116	62,706
International Arrivals Roadway		981,713	577,179	404,534
 SUBTOTAL IN PROGRESS PROJECTS		 \$ 6,856,801	 \$ 4,813,458	 \$ 2,043,343
 TOTAL BOND FUND PROJECTS		 \$43,143,620	 \$15,815,121	 \$27,328,499

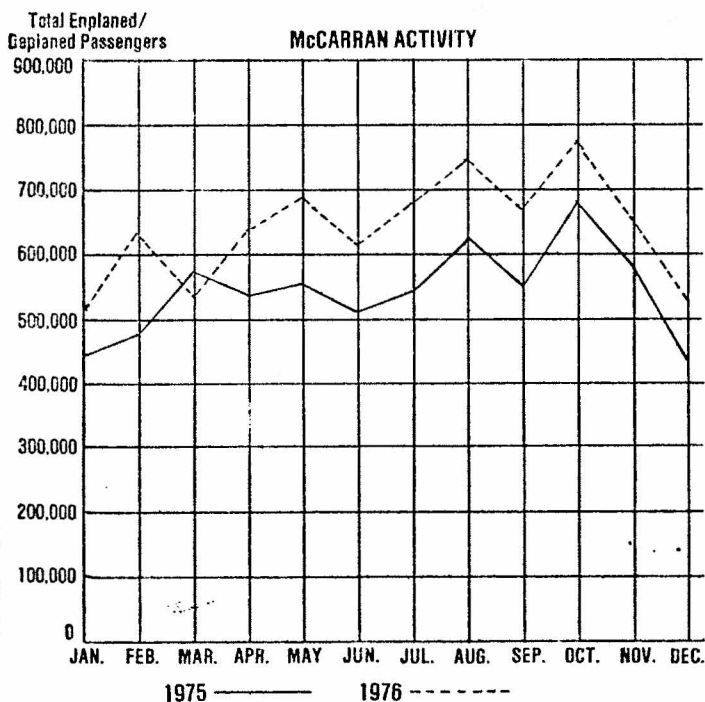
<u>PROJECTS</u>	<u>DATE OF COMPLETION</u>	<u>TOTAL COST</u>	<u>F.A.A. PARTICIPATION</u>	<u>COUNTY PARTICIPATION</u>
Projects Funds				
Miscellaneous Runway Improvements	12/69-6/76	\$202,260		\$ 202,260
West Airfield Improvements	6/72-1/73	11,454		11,454
Water line to east terminal	6/72	144,600		144,600
Parking Lot Equipment	6/72	15,000		15,000
Cargo Area Utilities & Roadway	9/71	78,967		78,967
Scenic Area Utilities	11/75	225,057		225,057
Searchlight, Jean & Overton Improvements	9/73-4/76	23,834		23,834
Miscellaneous Land Improvements	5/69-9/76	82,198		82,198
Fire Department Improvements	9/71-1/76	138,974		138,974
West Terminal Reroofing	6/74	16,280		16,280
Air Conditioner Bonanza Hangar	10/73	3,122		3,122
Terminal Carpeting	11/74	193,916		193,916
United Baggage Makeup Expansion	4/72	58,184		58,184
Taxicab Facility	3/74	36,724		36,724
TWA Baggage Makeup Expansion	8/74	65,003		65,003
Baggage Units	2/71	79,180		79,180
Honeywell Closed Circuit TV	1/75	73,324		73,324
VIP Room	7/76	38,324		38,324
Other Terminal Building Improvements		96,592		96,592
Scenic Facility	7/76	\$1,113,992		1,113,992
Patrick Lane Engineer Warehouse	4/70-2/71	158,022		158,022
Parking Lot Equipment	6/72-12/72	38,507		38,507
New Maintenance Building	9/75	599,886		599,886
Miscellaneous Maintenance Improvements	6/69-12/76	15,559		15,559
Miscellaneous Office Renovation, etc	6/72-8/76	25,784		25,784
New Terminal Furnishings	7/76	151,131		151,131
Other Miscellaneous Terminal Furnishings		143,942		143,942
ADAP 04:				
Fire Trucks		176,589	\$144,803	\$ 31,786
Other Fire Fighting Equipment		141,406	15,820	125,586
Other Machinery and Equipment		438,601		438,601
TOTAL PROJECT FUND COMPLETED		\$4,586,412	\$160,623	\$4,425,789
GRAND TOTAL		\$47,730,032	\$15,975,744	\$31,754,288

McCARRAN AIRPORT STATISTICS

McCarran International Airport experienced a substantial increase in the number of people who enplaned and deplaned at the facility during 1976. The total increase over 1975 was 1,184,530 enplaned/deplaned passengers. This represents an 18.2% increase over the calendar year of 1975. This increase in airline traffic volume contributed to the visitor increases for Las Vegas during 1976. A monthly summary for 1976 is contained in the following table:

Month	Total Number of Enplaned and Deplaned Passengers 1975	Total Number of Enplaned and Deplaned Passengers 1976	Percentage Change
January	437,495	515,238	+17.8%
February	478,329	630,857	+31.9%
March	557,334	537,549	(- 3.5%)
April	538,047	637,780	+18.5%
May	555,214	687,526	+23.8%
June	513,297	617,389	+20.3%
July	545,559	678,276	+24.3%
August	622,656	744,918	+19.6%
September	551,034	670,896	+21.8%
October	682,629	774,607	+13.5%
November	583,356	654,844	+12.3%
December	435,856	535,456	+22.9%
TOTAL	6,500,806	7,685,336	+18.2%

Despite the March labor strike, Las Vegas experienced sustained growth patterns at the airport. Also, McCarran ranked as the 21st busiest airport in the United States. A graphical analysis of the airline traffic volume for Las Vegas is presented in the following illustration.



SOURCES: McCarran International Airport
Las Vegas Convention/Visitors Authority - Marketing Dept.

AIRLINE PASSENGER SUMMARY

REGULAR SCHEDULED AIRLINES (ENPLANED & DEPLANED) 1976

The regularly scheduled air carriers produce 69.7% of the total airline passengers for the Las Vegas market. An analysis of their 1976 operations at McCarran International Airport is presented in the following chart.

Airline	Total — 1975 Enplaned/Deplaned	Total — 1976 Enplaned/Deplaned	Percentage Change
Delta	342,516	338,654	(- 1.1%)
Frontier	214,231	215,377	+ 0.5%
Hughes Airwest	1,059,487	1,134,664	+ 7.1%
National	173,345	242,296	+39.8%
Trans World	892,608	867,466	(- 2.8%)
United	1,068,436	1,039,351	(- 2.7%)
Western	1,367,609	1,516,911	+10.9%
TOTAL	5,118,232	5,354,719	+ 4.6%

SOURCES: McCarran International Airport
Las Vegas Convention/Visitors Authority - Marketing Dept.

McCARRAN AIRPORT STATISTICS YEARLY SUMMARY

Since 1970, the total number of passengers enplaning and deplaning at McCarran International Airport has increased by 88.0% or 3,598,363 passengers. The value of the airline market to the Las Vegas convention and tourism industry is supported by the following chart.

Year	Total Number of Enplaned and Deplaned Passengers	Percentage Change
1970	4,086,973	+ 1.2%
1971	4,102,285	+ 0.4%
1972	4,608,764	+12.3%
1973	5,397,017	+17.1%
1974	5,944,433	+10.1%
1975	6,500,806	+ 9.4%
1976	7,685,336	+18.2%

SOURCES: McCarran International Airport
Las Vegas Convention/Visitors Authority - Marketing Dept.

AIRLINE ACTIVITY: 1976

The Air Transport Association disclosed that United States scheduled airlines carried 223 million passengers and 4 million tons of freight and mail during 1976, while using less than 4% of the petroleum consumed by the nation. Since 1973, the revenue passenger miles flown per gallon of fuel increased by 18%. In that period, the number of passengers increased from 202 million to 223 million while the amount of fuel decreased from 10.7 billion to 9.9 billion gallons.

CHARTER AIRLINE PASSENGERS FOR LAS VEGAS 1976

The Marketing Department of the Las Vegas Convention/Visitors Authority has performed a study of the charter situation for Las Vegas to determine its continuing value to the tourism and convention industry of the city. The results of that study are presented in the following table.

	1975	1976	PERCENTAGE CHANGE
A. Total charter passengers enplaned & deplaned at McCarran Terminal and Hughes Terminal	1,034,407	1,466,994	+41.8%
B. Charter passengers as a percentage of the total visitors flying into Las Vegas (Market Share) ..	15.9%	19.1%	+20.1%
C. Charter passengers as a percentage of the total visitor volume for Las Vegas (Market Share) ..	5.7%	7.5%	+31.6%

Because of the increased utilization of the O T C charter program, charter activity *increased* 41.8% during 1976. In fact, 20.1% of all the passengers arriving at McCarran are on charter programs.

SOURCES: McCarran International Airport
Las Vegas Convention/Visitors Authority - Marketing Dept.

LEADING CHARTER PRODUCERS

The top five charter airline producers for the Las Vegas market during 1976 are listed in the table that follows. These charter carriers are an integral part of the airline market for the city.

Charter Carrier	1976 Total Enplaned/ Deplaned Passengers	Percentage of Total Charter Carriers
1. United Airlines	493,577	33.6%
2. Trans World Airlines	368,424	25.1%
3. Delta Airlines	120,993	8.2%
4. Capitol International	90,035	6.1%
5. Overseas National Airways	69,870	4.8%
TOTAL	1,142,899	77.9%

These five charter carriers supplied 77.9% of the total deplaned/enplaned charter passengers for Las Vegas during 1976.

SOURCES: McCarran International Airport
Las Vegas Convention/Visitors Authority - Marketing Dept.

LAS VEGAS CHARTER FACILITY

Hughes Aviation Services recently opened a new air charter terminal at Las Vegas McCarran International Airport. The facility has 13 gate positions which can handle more than 30 charter flights per day. The Las Vegas terminal is the largest air charter facility in the United States.

LAS VEGAS - OTC LEADER

According to a Civil Aeronautics Board analysis, Las Vegas remained the number one OTC destination during its first year of existence. 28% of all the proposed flights were for Las Vegas. Hawaii was number two domestically with 13% of all flights. A breakdown for foreign OTC programs follows:

A. Europe	23%
B. Mexico	11%
C. Caribbean	10%
D. Pacific	2%
E. Central/South America	2%

During this first year of operation, a total of 1,576 programs were filed with the CAB, equalling 16,589 groups. Of this number, 8,611 were domestic and 7,978 were foreign. The scheduled carriers proposed operating 58% of the flights, the supplementals 32% and foreign carriers 10%.

SOURCES: Civil Aeronautics Board
Travel Management Newsletter
Las Vegas Convention/Visitors Authority - Marketing Dept.

AIRLINE LOAD FACTORS

A look at the system-wide airline load factors of those airlines serving Las Vegas during 1976 follows:

AIRLINE	LOAD FACTOR
DELTA	55.6%
FRONTIER	57.3%
HUGHES AIRWEST	53.2%
NATIONAL	47.0%
T.W.A.	56.7%
UNITED	59.4%
WESTERN	58.2%

These regularly scheduled airlines flew 5,354,719 people in and out of Las Vegas during 1976. This represents 69.7% of the total passenger volume for McCarran International Airport for this time period.

SOURCES: Wall Street Journal; McCarran International Airport; Airlines: Delta, Frontier, Hughes Airwest, National, T.W.A., United, Western
Las Vegas Convention/Visitors Authority - Marketing Dept.

AIRLINE FLAPS

★ United Airlines will more than triple its charters to Las Vegas in 1977, with charter revenue from Las Vegas service expected to hit \$60.4 million, against \$25.7 million last year. United forecasts that its overall charter revenue will be \$100 million this year, \$157 million in 1978.

★ United Airlines has signed a contract with OTC Tours, Inc. of Chicago for 474 one-stop-tour charter (OTC) flights between 37 cities and Las Vegas during 1977. This represents 91,396 seats. This pact provides for an average of nine round trip flights to Las Vegas each week.

1414

AIRLINE PASSENGERS AS A PERCENTAGE OF THE TOTAL VISITOR MARKET FOR LAS VEGAS

During 1976, the percentage of Las Vegas tourists and convention delegates utilizing air transportation increased 3.8 points, to 39.3% of the total visitor count. This percentage further demonstrates the value of the airline industry to the Las Vegas market structure.

YEAR	TOTAL VISITORS	PERCENTAGE OF VISITORS
1970	6,787,650	30.1%
1971	7,361,783	27.9%
1972	7,954,748	29.0%
1973	8,474,727	31.8%
1974	8,664,751	34.3%
1975	9,151,427	35.5%
1976	9,769,354	39.3%

AIRLINE PASSENGERS AS A PERCENTAGE OF THE TOTAL VISITOR MARKET FOR LAS VEGAS PER MONTH

Month	Total Visitors 1976	Percentage of Visitors Utilizing Air Transportation	Net Change From 1975
JANUARY	630,698	40.8%	(-3.3)
FEBRUARY	710,340	44.4%	+5.6
MARCH	783,435	34.3%	(-0.4)
APRIL	869,234	36.7%	+3.4
MAY	949,924	36.2%	+4.1
JUNE	878,149	35.2%	+3.6
JULY	954,568	35.5%	+4.5
AUGUST	947,411	39.3%	+6.3
SEPTEMBER	871,361	38.5%	+2.5
OCTOBER	880,796	44.0%	+5.7
NOVEMBER	703,754	46.5%	+4.3
DECEMBER	589,684	45.4%	+7.9
TOTAL	9,769,354	39.3%	+3.8

AVERAGE DAILY SCHEDULED FLIGHTS

1970-252	1971-227	1972-234	1973-261
1974-251	1975-273	1976-289	

SOURCES: McCarran International Airport
Las Vegas Convention/Visitors Authority - Marketing Dept.

AIRLINE FLAPS

★ The Air Transport Association's cost index for the third quarter of 1976 shows a sharp rise in travel agency commissions. During this period, total commissions equalled \$197 million. These commissions now account for 4.9% of the U.S. scheduled carriers' total operating expenses.

★ For 1977, the charter business in the United States is expected to grow approximately 45%. Annual growth of the airline industry as a whole has only been between 6% and 8% over the last few years.

AIRLINE FLAPS

★ Starting June 1, the Civil Aeronautics Board will require the airlines to have free, simplified fare brochures at all ticket offices. The action, resulting from a petition brought by Aviation Consumer Action Project, will require the folders to include fares to at least the top 10 destinations from the particular city where the distribution takes place.

• A study conducted by the Civil Aeronautics Board projects that the U.S. airlines will need \$32.5 billion for equipment and property purchases through 1985. During this time span, the study also predicts that charter traffic will grow faster than scheduled traffic and that available seat miles will increase on the average of 4.8%, while revenue passenger miles will rise 5.6% annually.

★ Effective April 1, advance purchase time for ABC's from Britain has been slashed from 60 to 50 days.

★ The CAB approved a 2% domestic fare increase. It went into effect on February 1.

★ According to Trans International Airlines President Hank Huff, charter rates should increase about 8% in 1977 because the scheduled carriers are being "more realistic" in charter pricing.

★ Seven major incentive travel organizers have filed a joint statement supporting the concept proposed by the CAB for Business Oriented Charters.

★ During 1977, Nationwide Leisure will offer first class service on its charters between New York and London.

★ Total traffic carried on the world's scheduled airlines in 1976 increased "about 10%" from 1975, according to preliminary estimates by the International Civil Aviation Organization, or ICAO. The ICAO said airlines carried about 580 million passengers in 1976, up 8.6% from a year before. As seat capacity was up only 7% from 1975, the average passenger load factor improved to 61% from 59%.

ANALYSIS OF SCHEDULED AIRLINE SEATS FLYING INTO LAS VEGAS

JANUARY 1, 1977

Average Number of Seats Flying Into Las Vegas

Per Day	16,211
Per Week	113,479
Per Month	453,916

Potential Market Seats Per Market for Las Vegas

Per Day	24,779
Per Week	173,454
Per Month	693,816

Potential Market Seats refers to the total number of seats that can be sold within a single market entity. It includes both non-stop and multiple-stop flights.

SOURCES: Official Airline Guide - January, 1977
Las Vegas Convention/Visitors Authority - Marketing Dept.

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710



ARTHUR J. PALMER, Director
(702) 885-5627

Exhibit 1
LEGISLATIVE COMMISSION (702) 885-5627

JAMES I. GIBSON, Senator, Chairman
Arthur J. Palmer, Director, Secretary

INTERIM FINANCE COMMITTEE (702) 885-5640

DONALD R. MELLO, Assemblyman, Chairman
Ronald W. Sparks, Senate Fiscal Analyst
John F. Dolan, Assembly Fiscal Analyst

FRANK W. DAYKIN, Legislative Counsel (702) 885-5627
EARL T. OLIVER, Legislative Auditor (702) 885-5620
ANDREW P. GROSE, Research Director (702) 885-5637

April 26, 1977

Assemblyman Robert E. Robinson
Assembly Chamber
Legislative Building
Carson City, Nevada 89710

Dear Mr. Robinson:

You have asked my opinion on the question whether A.B. 593 is constitutional. This bill would create an airport authority in any county with a population of 200,000 or more and would require the transfer of all county-owned airports to that authority. The practical effect of this bill would be to transfer control of McCarran International Airfield from Clark County to the newly created airport authority, and presumably any court challenge would be brought by Clark County because of its loss of control over that airport. Statutes like A.B. 593 which create separate airport authorities to control public airports have generally been sustained as against objections on constitutional grounds. 8 Am.Jur.2d Aviation § 52 (1963).

Counties in Nevada are creatures of the legislature, save only where the legislature is limited by the constitution. County of Pershing v. Sixth Judicial Dist. Court, 43 Nev. 78 (1919). In addition, every possible presumption and intentment will be made in favor of a legislative act, and the courts will interfere only in cases of clear and unquestioned violations of constitutional provisions. State ex rel. Clarke v. Irwin, 5 Nev. 111 (1869).

The principal limitations on the legislature with respect to laws which are applicable to counties are found in section 20 of article 4 of the Nevada constitution, which prohibits "local or special laws * * * [r]egulating county and township business," and section 21 of article 4, which requires that whenever "a general law can be made applicable, all laws shall be general and of uniform operation throughout the State."

Assemblyman Robert E. Robinson
April 26, 1977
Page 2

Section 10 of A.B. 593 provides, in part, that the law would be applicable to "every county having a population of 200,000 or more * * *." A law which is made applicable to counties on the basis of a population classification will be sustained as being "general and of uniform application" under section 21 of article 4, and not violative of the prohibition against "local or special laws" under section 20 of article 4, if the classification is open-ended, that is, if other local governments of the same kind will be similarly affected when they attain the requisite population. Reid v. Woofter, 88 Nev. 378 (1972); State v. Woodbury, 17 Nev. 337 (1883). Since A.B. 593 would apply to any county that attained a population of 200,000 or more, the bill is not a local or special law, but is of general and uniform application.

Section 1 of the Fourteenth Amendment to the United States Constitution forbids any state to "deprive any person of life, liberty, or property, without due process of law." Similarly, section 8 of article 1 of the Nevada constitution provides, in part, "No person shall * * * be deprived of life, liberty, or property without due process of law * * *."

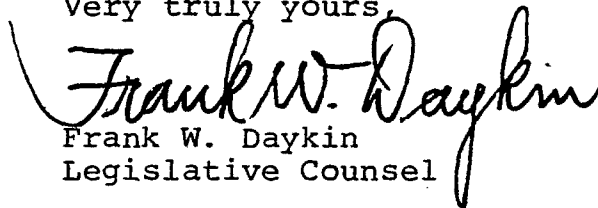
Section 12 of A.B. 593 would require any county which is subject to the bill to transfer its airport properties to the newly created airport authority. It might be argued that this provision deprives the county of its property without due process of law. The United States Supreme Court has held that a state may deprive a local government of its property held in a governmental capacity, and vest such property in another governmental agency, without violating the Fourteenth Amendment. Hunter v. Pittsburgh, 207 U.S. 161 (1907). In a case in which a Minnesota statute similar to A.B. 593 required the transfer of a municipal airport to an airport commission, the Minnesota Supreme Court cited the Hunter case in sustaining the statute as against an objection that the

Assemblyman Robert E. Robinson
April 26, 1977
Page 3

municipality had been deprived of its property without due process of law. Monaghan v. Armatage, 218 Minn. 108, 15 N.W.2d 241, app. dismissed, 323 U.S. 681 (1944). The Nevada Supreme Court has also cited the Hunter case in holding that "[a county] may not complain of state action upon the ground that it has been deprived of its property without due process of law." State ex rel. List v. Douglas County, 90 Nev. 272 (1974).

~~In summary, it is the opinion of this office that A.B. 593 is constitutional.~~

Very truly yours,


Frank W. Daykin
Legislative Counsel

FWD:jll

EXHIBIT 5



JOHN F. BROWN CO.
AIRPORT MANAGEMENT CONSULTANTS

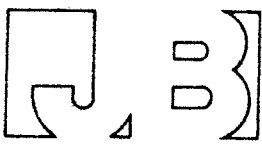
April 24, 1977

Mrs. Thalia M. Dondero, Chairman
Board of County Commissioners
Clark County
McCarran International Airport
P. O. Box 11005 - Airport Station
Las Vegas, Nevada 89111

Dear Mrs. Dondero:

In accordance with your request this letter will set forth certain pertinent considerations regarding the financial operations of McCarran International Airport. It has been my privilege to serve as the airport consultant to Clark County for several years. These services cover matters relating to the sale of airport revenue bonds, the development of airport revenues, as well as general management programs relating to the maintenance, operation and development of McCarran International Airport. Among the services rendered is an annual review of the proposed operating budget and projection of revenues. Also, since the air carriers operate under an ordinance on McCarran International Airport I have been involved in an annual review of air carrier rates and charges and related airport operating expenses and revenues. Finally, in 1976 Clark County sold additional airport revenue bonds and as a part of the Bond Sale I was involved in the preparation of appropriate traffic and earnings studies for the Official Statement and related matters to be presented to the rating agencies and prospective bond purchasers.

The financial integrity of the operation of McCarran International Airport is provided for in several different ways. Among them are the provisions of the airport revenue bond ordinance authorizing the sale of airport improvement revenue bonds. This ordinance which, as you realize, is a contract between Clark County and the bondholders provides, among other things, that there will be an annual audit and report by independent accountants. These audit reports will be submitted to various parties such as purchasers, airport consultant, financial consultant, bondholders and others. Furthermore, the bond ordinance provides the detail that will be covered by the audit report. The specific reference in the bond ordinance is as follows:



Mrs. Thalia M. Dondero
Chairman

- 2 -

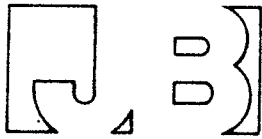
April 24, 1977

"Section 1135. Audits Required. The issuer shall continue to cause an audit to be made for each Fiscal Year within ninety (90) days following the close of the fiscal year of such books and accounts by an Independent Accountant and shall order an audit report showing the receipts and disbursements for each account, including without limitation the gross pledged revenues. Such audit report shall be available for inspection by any holder of any of the Outstanding bonds or other Outstanding securities payable from Pledged Revenues by the Purchaser of each series of issues of such securities and by the Financial Consultant."

It is required that before additional bonds can be sold a certificate must be written by the independent accountants stating that the County has complied with all of the financial requirements and that the historic earnings tests are met as required by the bond ordinance. In the airport revenue bond sale of 1976 the certificate was prepared and submitted by your certified public accountants.

As a part of the airport revenue bond sale of 1976 studies were made of the development of revenues at McCarran International Airport and the control of expenses. The following highlights were presented to the financial community in conjunction with your bond sale. It was pointed out that the facilities had increased substantially during the period 1970 to 1975. There was an increase of 2.6 times in terminal building area and an increase in the airfield area of thirty-three percent (33%). During this period the maintenance, operation and administrative expenses increased 3.5 times and administration as a portion of maintenance, operation and administrative expenses increased from fourteen percent (14%) to nineteen percent (19%), still below the administrative expense ratio found at other major airports. Also in those studies and in the discussions with the financial institutions it was pointed out that concession revenues per passenger had increased fifty-eight percent (58%) from 1970 to 1975, while slot machine revenues had increased fifty percent (50%) during the same period and total revenues per passenger realized by the airport had increased forty percent (40%).

For fiscal year 1976 the following operating ratios were realized by McCarran International and other major airports in the western region of the United States (Operating Ratio is operating expenses divided by operating revenues):



Mrs. Thalia M. Dondero
Chairman

- 3 -

April 24, 1977

McCarran International	47%
Phoenix Sky Harbor International	47
San Francisco International	51
Los Angeles International	52

Obviously, the lower the ratio the stronger the operation.

The budget review previously referred to has been accomplished annually and a letter submitted for the record regarding the findings. It might be pertinent to note that the budget review for the fiscal year 1977 budget indicated that the estimated operating results would produce net earnings of 1.5 times debt service coverage and the budget for fiscal 1978 indicated a debt service coverage of 1.67 times. This compares with the requirement of the bond ordinance that a minimum debt service coverage of 1.40 be maintained. The above clearly shows that the budgets in both years referred to here are in excess of the minimum required by the bond ordinance. In addition, it should be noted that the debt service coverage referred to above does not include revenues from slot machines at McCarran International Airport.

As a result of the budget reviews, the work on the airport's revenue bond programs and related matters, I know of no basis for finding that the financial operations of McCarran International Airport are improper. As shown, the financial operating results compare favorably with other major airports in this region of the United States. It is significant that in 1970 it was necessary to negotiate the sale of Clark County Airport revenue bonds and in 1976 the County received meaningful competitive bids from two major banking syndicates.

It is deeply regretted that prior commitments have prohibited me from attending the meeting with the Committee of the State Legislature on Tuesday, April 26th. However, if anyone on the committee would desire to talk to me, I would be happy to discuss this letter and related questions by telephone. Should this be desirable, please contact Miss Judy Siemer of the company and she will be able to be in touch with me and a return call will be made.

If there is anything I can do to be of help, please don't hesitate to let me know.

Sincerely,

JOHN F. BROWN COMPANY

John F. Brown

JFB/jls

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