

MINUTES

WAYS AND MEANS COMMITTEE

NEVADA STATE LEGISLATURE - 59th SESSION

April 29, 1977

The meeting was called to order by Chairman Mello at 10:00 a.m.

PRESENT: Chairman Mello, Mr. Bremner, Mr. Dreyer, Mr. Hickey, Mr. Glover, Mr. Kosinski, Mr. Rhoads, Mr. Serpa and Mr. Vergiels.

EXCUSED: Mrs. Brookman, due to illness.

OTHERS PRESENT: John Dolan, Assembly Fiscal Analyst; Bill Bible, Budget Division; Terry Sullivan, Purchasing Department; Horacio Lopez, NETCO; Bob Bailey, NETCO; Glen Griffith, Fish and Game; Bill Hancock, Public Works Board; Clark Griffin; and Vernon Bennett, Retirement System.

A.B. 451. Removes distinctions based on sex from various state laws.

Mr. Glover made a motion for a "Do Pass"; seconded by Mr. Bremner. Motion passed.

A.B. 674. Provides for state assistance to certain businesses.

Terry Sullivan, Purchasing Department, stated he simply took the numbers that were outlined in the bill and 5% of that amounted to \$85,000 which is the approximate amount it would cost the State of Nevada to adapt this bill. There are other reasons why the Purchasing Department is opposed to the bill. First, it is against the principles of good purchasing practices to pay more for an item than they should. That makes the bill amount to a subsidy for small businesses and minority businesses. Mr. Sullivan felt there were better ways to subsidize them than through this manner.

Mr. Sullivan stated there are 3,000 names on the Purchasing Department's bidder's list, 1,000 of which are Nevada businesses. Last fiscal year, their gross was approximately \$16 million, half of which was spent in Nevada. It was Mr. Sullivan's opinion that of the other half spent out of state, approximately 50% could have been purchased in Nevada but they would have had to spend a lot more money.

There was an in-state preference bill brought before the Legislature this Session that was defeated.

This bill is in effect a preference bill, not necessarily an in-state one, but it does give the businesses in Nevada a preference. Of the 1,000 businesses, approximately 60% of them meet the criteria of a small business and the Purchasing Department is already doing business with them. Mr. Sullivan didn't know what would be accomplished by the bill.

As to the minority portion of the bill, Mr. Sullivan stated the Purchasing Department has presently identified approximately three minority businesses they can do business with. Perhaps the bill will inspire more minority businesses to get started, but if ten new businesses are started, that is only thirteen businesses the Purchasing Department could conceivably work with.

Mr. Sullivan felt that legislation was not needed to serve those few businesses. He had no qualms about the concept of the bill. He felt that the state should do something to help small businesses and minority businesses, but the Purchasing Department is already doing a lot with small businesses. As to minority businesses, they are doing a few things and encouraging minority businesses to do business with the Purchasing Department. There is no legislation to require that. The Purchasing Department simply does it.

In Mr. Sullivan's personal opinion he didn't feel that 5% will inspire any new businesses. He met with Mr. Bailey and Mr. Lopez and the matter was discussed. He hoped Mr. Bailey and Mr. Lopez understood that Mr. Sullivan was not against the concept of what the bill was trying to accomplish. Mr. Sullivan felt that the bill just wouldn't do it. Mr. Sullivan stated that aside from the fact that administratively it will be difficult he didn't put any fiscal impact about what it would do to the Purchasing Department. He felt they would have to absorb the work and they would absorb it, but it would be a lot of work to keep track of something like that. He felt it would be far simpler for the Legislature to tell the Purchasing Department to keep track of these things and let the Legislature know what happens.

Horacio Lopez, Deputy Director of NETCO in Las Vegas, stated they are trying to identify at least 10% of the total Purchasing Department's expenditures, or \$1.7 million to be set aside for small businesses. This encompasses all small businesses, not only minority business enterprise. Some of the businesses will eventually graduate from the size standards, thereby encouraging other entrepreneurs to get into the mainstream of enterprise. Promotion of economic development is a legitimate governmental function. There currently exists a situation in Nevada where there is a disproportionate low share of business that is going to small businesses in the whole state. Mr. Lopez said the promotion of economic development for small businesses is a legitimate and necessary governmental function. The plight of a small businessman in the state of Nevada, as well as in the country, is becoming a chronic and longstanding situation and without remedial measures, there is little prospect for improvement in the near future.

The set aside program talked of, 5% advantage, will help to encourage the development of manufacturing which, within the confines of the state, will eventually lead to more employment and cost reduction because of the competitive spirit that will exist.

The 5% advantage will only come into play when small businesses are competing against larger businesses. There are over 15,000 small businesses in the state of Nevada according to the Tax Commission. Mr. Lopez's records indicate the Purchasing Department is only doing business with approximately 500.

Mr. Glover asked if one of the major problems of small businesses in Nevada and in the United States is government interference. Mr. Lopez replied no, the major corporations are setting up subsidiaries throughout the localities. The major amounts of monies are going to those corporate headquarters. The small businessmen are the ones to start a new business and expand their existing businesses but cannot compete because of low bargaining and purchasing powers.

Mr. Glover suggested it was because of government regulations, state regulations and county regulations that it wasn't profitable enough to go into business.

Bob Bailey, Director of NETCO, stated basically the reason they are supporting the bill is because their day to day work is working with small businessmen, specifically in Southern Nevada. Some of

the problems they have come face to face with that small businessmen have is outlined in the bill. 90% of the businesses in Nevada are small businesses and 10% of the total monies coming out of the Purchasing Department is certainly not a big condition talked about. They are trying to work with the State Economic Development Department in relationship to developing and identifying areas where new starts can be made. In order to do that, you have to identify a market. The market that more normally comes to mind in any particular area as with the federal government is with public monies that are being spent. NETCO felt that a set aside of this type would encourage businesses to start that are not presently located in Nevada.

Mr. Bailey stated that 15 states in the United States have adopted legislation of this type, the basis being the success of the federal government in setting aside small business set asides and within that set asides for socially and economically disadvantaged. Mr. Bailey stated that the recycling of the dollars that will be born in Nevada when a real look is taken at what can the state do, through its procurement activities to assist small businesses will be extremely significant. The fiscal impact will more than be absorbed in the recycling of dollars.

Mr. Bailey felt this would be extremely helpful to the rural counties.

S.B. 147. Authorizes per diem and travel expenses for legislators attending pre-session orientation conferences.

Mr. Glover made a motion for a "Do Pass"; seconded by Mr. Serpa. Motion passed.

A.B. 189. Revises various regulatory provisions on fish and game.

Glen Griffith, Department of Fish and Game, stated the bill deletes pheasant stamp requirements. This will have a diminution of income of about \$7,000 annually. Another aspect of the bill is the repeal of Section 4, which was the provision providing free licensing for Indians.

The total fiscal impact will be \$43,000, which would be additional or added income.

Chairman Mello asked why the fiscal note differed from the figures Mr. Griffith had given. Mr. Griffith replied the figures of \$6,400, \$6,300 and \$6,164 were based upon what Fish and Game anticipates would occur. Mr. Griffith had quoted the actual figure to the Committee.

Mr. Rhoads made a motion for a "Do Pass"; seconded by Mr. Glover. Motion passed.

A.B. 748. Provides advisory referendum on question of preserving or demolishing Capitol Building.

Mr. Kosinski stated he had personally expressed his opposition to spending \$6 million to renovate the Capitol Building. In talking with some members of the Committee, it was felt that even though the \$6 million may not be a justified expenditure, possibly the decision as to whether or not the existing Capitol Building should be torn down or maintained as a historical monument should be left up to a voice of the people, so Mr. Kosinski then requested A.B. 748 be drafted as a replacement for S.B. 298, which is the bill which would provide the \$6 million bond issue to renovate the Capitol.

Chairman Mello said that S.B. 298 didn't have to be killed to accomplish what is being proposed in A.B. 748.

Bill Hancock, Public Works Board, stated the fiscal impact the Public Works Board sees in Section 1, subsection 1, subparagraphs (a), (b) and (c) would be on the magnitude of \$198,525 which would be necessary to design an executive office building, plus a storage facility. The fiscal impact of delaying the \$6 million project could be on the magnitude of 15% to 20% of \$5,147,000, which would be approximately \$770,000 or \$1 million in inflationary costs to delay that particular project for the two year period. If A.B. 748 passed, Mr. Hancock felt it would be wise to delay the preparation of plans and specifications for the new building until such time as the vote of the people is known. There are plans ready to go now. If there are two sets of plans, one set is going to be wasted.

Chairman Mello asked how much money was spent in the study. Mr. Hancock said the preparation of the plans for the rehabilitation was \$300,000 and said if A.B. 748 passed that \$300,000 would be wasted.

Chairman Mello asked where the building would be located. Mr. Hancock replied the existing building could be torn down and build it on that site or build it between the Legislative Building and the Capitol Building.

Mr. Kosinski stated that the way the ballot question reads is the people will determine whether or not they want the building to be maintained as a historical monument or to tear down the building and in the event they voted to tear it down assumed that's where the new building would be constructed.

Chairman Mello assumed that the people would vote to keep the building and asked where the new building would be constructed in that event. Mr. Hancock suggested the site at that point in time would be between the Legislative Building and the existing Capitol Building.

Chairman Mello stated he had talked with Vern Bennett of the Retirement System and they are thinking about buying property across the street and building buildings there for the state to lease them to the state and asked Mr. Kosinski if he was aware of that. Mr. Kosinski stated that in drafting the bill, he did consider the possibility of providing that Mr. Hancock look at the alternative of letting private industry build the building and having the state lease it. However, because they were talking about the Capitol Building which would house the Governor, Mr. Kosinski didn't feel that would be appropriate under the circumstances.

Mr. Kosinski stated that after three months of sitting in Ways and Means and listening to the various presentations made by agencies and members of the public and listening to people come in and ask for dollars for handicapped children, education, senior citizens programs and mental and physical health programs, he felt \$6 million was a tremendous amount of money to expend on renovating the Capitol, particularly in a few years when they will have to look for more space anyway.

Mr. Serpa concurred with Mr. Kosinski's thinking and stated during subcommittee testimony they learned they were making the building earthquake proof. Mr. Serpa felt there was no way that anyone could predict that it will actually be earthquake proof. Mr. Serpa stated if it was the desire of the people to have the building renovated, it should be done, but thought it should be left up to the people.

Mr. Glover stated he thought A.B. 748 was a "cop out". He felt it was the Committee's responsibility to decide what is going to be done. If it is put off for two more years, it will cost more money whether a new building is built or the Capitol Building

renovated or is left as a historic monument. Mr. Glover said it didn't make any sense to go this route. If the Legislature wants to build a new Capitol Building, it should be decided before adjournment. Money should be appropriated to build a new building, take the Capitol Building and renovate it or not do anything at all. Mr. Glover stated that if the new Capitol Building were built, the old Capitol Building will be empty and not used for anything at all as it will still not be safe and further stated that the town couldn't afford to have to many more museums.

Mr. Glover agreed with Mr. Kosinski that it was hard to justify \$6 million when there are needs in education, mental health and in all other areas, but felt that the Legislature has an obligation to the generations that come after to preserve part of Nevada's history and still make it a functional building that can be used.

Regarding Page 2, Lines 1 through 3 and Lines 22 through 24, Chairman Mello asked what "The result of the voting on this question does not place any legal requirements on the Legislature or any of its members" meant. Mr. Kosinski replied that it was his understanding that it was the same language used in Chairman Mello's ERA bill.

Chairman Mello wanted to know what the language meant in this particular case. He didn't understand what it meant by spending \$300,000 for a study last Session with the intent to do something about the Capitol and then come back and put it to a vote of the people with the type of language in the bill. Chairman Mello felt this would mean something definite. Whatever happens to the outcome of the vote of the people would be binding in the Legislature.

Mr. Kosinski stated the reason he didn't make it binding is because it may, as a matter of fact, be conclusively proven that the building is in danger of crumbling at any moment. If the people were to say yes, we want to preserve the building as a historical monument and then it would cost \$6 million to preserve it as a historical monument, Mr. Kosinski would not, as a member of the Legislature, want to be bound by that. Mr. Kosinski didn't think the Legislature should be bound by the vote of the people because later facts may show that the building cannot be kept as a historical monument even if the people vote that they do want it maintained as such.

Mr. Kosinski stated if it was determined that the Capitol was not safe in its present condition that the Legislature would have to have it torn down even though the people voted to keep it.

Mr. Hancock stated that the hazards of the building today are as great as they will be.

Mr. Kosinski stated the question on the ballot under no circumstances would the building be used as a Capitol Building regardless of which way the people voted.

Chairman Mello asked if the condition of the building would change any more from today than two years from now. Mr. Kosinski replied it may or may not. Mr. Kosinski's point is that if in four years the building became an earthquake hazard, and the only way it can be left open to the public is to spend \$6 million on it, then Mr. Kosinski thought the Legislature would have the alternative of tearing it down.

Mr. Hancock stated it is a hazard now. "Time has taken its toll on the Capitol once described as a well built, substantial structure--as it stands today a hazard to public safety." "We must conclude that the building is unsafe and is unsafe to the point that it is an extreme hazard to the occupants in the event of a moderate earthquake."

Chairman Mello said it was the intent of the Legislature last Session to do something about it.

Mr. Serpa asked how long the building had been a hazard. Clark Griffin stated that a report back in 1953 indicated that it was a hazard then.

Chairman Mello stated that 10,000 children from January 1 to May of this year have already toured the building. That figure came from the Governor's Office.

As to the earthquake hazard, Mr. Hancock stated that the seismologist's report said it would take a 5.5 magnitude earthquake within 12 miles of the epicenter to cause damage. You can't estimate how fast the building will fall or how many people would be killed.

Chairman Mello didn't think that the language in A.B. 748 was proper.

Vernon Bennett, Retirement System, stated the Retirement System approximately two years ago began evaluating investment in mortgages and real estate and real property in an attempt to spend more of the Retirement System's money in Nevada. In so doing, they looked at several possible investments in the Carson area. One of the areas they discussed and feel has considerable merit is the possibility of purchasing the entire block across the street from the Legislative Building and constructing office buildings that would be comparable in design to the Legislative Building to be hopefully leased to state agencies and to other agencies in the Carson area. The Retirement System purchased Capitol Plaza and have realized a return of 9.44% during the year plus appreciation which has now been estimated at about 10% to 15%. In addition, they purchased the other two buildings and in the last three months, they have almost filled the buildings and they have several people talking to them for other leases. They feel right now there is a surplus of property in Carson City, but it is not a surplus of good, attractive office building property. The Retirement System feels that Carson will continue to grow and felt it would be a very effective investment for the Retirement System. They have talked to some of the owners of property in the area. They do not have definite commitments, but they did get some definite indications of interest.

The Retirement System has found that they can build buildings cheaper than the state because they are not required to put in the firm and very conservative building standards that are required for state buildings, but, for example, they feel that Capitol Plaza is a very well constructed building with a considerable amount of steel structure built into the building. The Retirement System has committed to invest 10% of their portfolio in mortgages and real estate. That is a possible \$40 million.

Mr. Serpa asked if a lease were contracted with the Retirement System, how long could the building be leased back to the state. Mr. Bennett replied indefinitely. It would be a 99 year lease with a right to renew.

The meeting adjourned at 10:55 a.m.

STATE OF NEVADA
DEPARTMENT OF GENERAL SERVICES
PURCHASING DIVISION
Blasdel Building
Carson City, Nevada 89710

DIVISIONS
Purchasing
Printing
Data Processing
Accounting
Buildings and Grounds

April 26, 1977

Assemblyman Don Mello, Chairman
Committee on Ways and Means
Nevada State Legislature

Dear Mr. Mello,

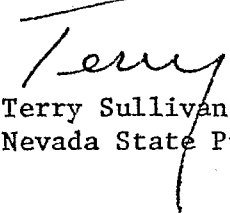
When Assembly Bill 674 was heard by the Committee on Commerce I was out of town and could not testify. The bill was referred to Ways and Means with a "Do Pass" recommendation. I am opposed to this bill, but unfortunately I might be out of town again and, therefore, unable to testify in your Committee.

In the event I am unable to testify you should be aware that we do business with over 1000 businesses in Nevada and most of them would meet the criteria of a small business as defined in the bill. Consequently the bill would accomplish nothing in this area. We do not have construction or service contracts so nothing is accomplished there.

This leaves only the minority portion of the bill. I have identified about 7 minority businesses that could conceivably bid and have over the past few years contacted them personally and by letter. We encourage their participation and offer any assistance we can in completing the bid form.

I feel we accomplish far more on a one to one basis than the bill will with a 5% preference. Based on this, I am asking your help in defeating AB 674. I can see no useful purpose it can serve and it could possibly hamper us in working with minority businesses. Thank you.

Sincerely,


Terry Sullivan, Administrator
Nevada State Purchasing Division

TS/bm

1059

cc: Peggy Glover



STATE OF NEVADA
PUBLIC WORKS BOARD

VILLIAM E. HANCOCK, A.I.A.
SECRETARY AND
MANAGER

Kinhead Building, Room 400
Capitol Complex
CARSON CITY, NEVADA 89710
(702) 885-4870

April 25, 1977

IN REPLY REFER TO SUBJECT

RE Rehabilitation Capitol
Building, Project #77-44

Assemblyman James Kosinski
Nevada State Legislature
Carson City, Nevada 89710

Dear Mr. Kosinski:

The following information is submitted in accordance with your April 25, 1977 request.

Based on the unanimous conclusions of three independent engineering studies of the Capitol Building, the 1975 Legislature appropriated \$322,290.00 to the Board to prepare the bid documents necessary to the rehabilitation of the building that would achieve the following:

- a. Make the building structurally safe.
- b. Maintain its exterior appearance and interior decor.
- c. Convert the building into an efficiently functioning office facility for the office of the Governor, Secretary of State, Treasurer and Controller.
- d. Keep the construction costs to approximately \$5,000,000.

The proposed Rehabilitation plan recommended by the Board and the Governor realizes the above conditions.

Except for the exterior veneer, the building is to be rebuilt to comply with current standards for (1) the seismic forces of the magnitude predicted for the area, (2) fire resistive standards, and (3) the construction standards of the Uniform Building Code, the Uniform Plumbing Code and the National Electric Code. The exterior appearance and the interior decor, except for a shortening of the 1st floor corridor, will be accurately restored.

The office space for the four elected officials has been carefully designed for efficiency and modern operations. We will realize a total of

STATE OF NEVADA
PUBLIC WORKS BOARD

Assemblyman James Kosinski
April 25, 1977

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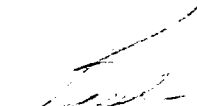
approximately 48,000 gross square feet of usable space on the three floors. The old Senate and Assembly Chambers will be preserved as requested by the Legislature and the basement will be deepened and modernized for office and storage. Maintenance will be minimized because everything will be new.

We have estimated the total cost of this rehabilitation at \$5,902,000. Of this \$5,147,400 is for construction (complying with the direction of the 1975 Legislature) \$299,700 for moving and rent during construction, \$130,000 for supervision, \$257,400 for contingencies and \$67,500 for miscellaneous costs.

We estimate the cost of a new executive office building containing 30,700 gross square feet to be \$2,145,000. This would be the equivalent of the first and second floor of the Capitol Building, and be adequate for the 4 offices. An office and storage building equalling the space to be realized in the basement of the restored Capitol Building would cost an estimated additional \$480,000. While the demolition of the Capitol Building is estimated to cost approximately \$258,000 in the rehabilitation project, if salvage for reuse were forgotten it probably could be demolished for less than half that amount.

If I can provide you with any further information please let me know.

Very truly yours,



William E. Hancock, AIA
Secretary-Manager

WEH:kl