

MEMBERS PRESENT: Chairman Bremner
Vice Chairman Hickey
Mr. Bergevin
Mr. Brady
Mr. Coulter
Mr. Glover
Mrs. Hayes
Mr. Horn
Mr. Marvel
Mr. Rhoads
Mr. Vergiels
Mrs. Westall

Speaker Barengo

MEMBERS ABSENT: Mr. Robinson (Excused)

GUESTS PRESENT: Bill Bible, Fiscal Analyst, Judy Matteucci, Deputy Fiscal Analyst, Mike Alastuey, Deputy Budget Director, Mark Stevens, Budget Division, Berlyn Miller, Governor's Management Task Force, John Sparbel, Planning Coordinator's Office, Bob Hill, Planning Coordinator's Office, Michael A. delaTorre, Director, DLEA, Jean Ford, Senator, District 3, and additional guests listed on the attached guest list.

Chairman Bremner called the meeting to order at 8:00 a.m. and introduced Mr. Mike Alastuey, Deputy Budget Director.

Mr. Alastuey directed the attention of the committee to a new section in the executive budget entitled the occupational summary. Chapter 364 of the 1979 Session provided that the executive budget should include, by budget account, a listing of the positions and the various occupational groupings into which they fall. Occupational class changes, dates of interim finance approval and combinations of particular classifications are indicated in this new section.

Mr. Alastuey commented on the general fund pay package one-shot appropriation request which totals for the 1981 fiscal year, \$6,642,000. This is made up of a 14% classified salary increase, a special salary adjustment of 5% for correctional officers, group supervisors of the youth and girls training centers, and for the initiation of a factor ranking package for classification work factors of clerical and technical employees.

Mr. Alastuey stated that the income projected for 1981-82 from state collected gaming tax will be approximately \$375,300,000 as compared to \$363,387,000 presented by LCB. The major difference is a recommended monthly collection of all major sales taxes and casino entertainment tax. For the following year the income is projected at \$404,468,000 as compared with the \$405,165,000 that LCB has projected.

Mr. Alastuey referred the attention of the committee to the distributive school fund budget. The budget recommends going to a 1.3 cent local school support tax rate. This would increase the local school support tax available to the districts by 34.9% the first year, 18.2% the second year. The tax base is projected to go up about 10% in total sales, in addition it is anticipated that there will be a 30% increase in the tax rate. Mr. Alastuey stated that the full impact is not realized immediately because of a lag between the accrual of the sale and the realization of the revenue at the local school district level.

Mr. Bible asked if appropriations from the special session are included in the 1980-81 appropriation figures presented by Mr. Alastuey. Mr. Alastuey stated that they are not because they are not reflected in a budget account.

Mr. Bible spoke to the Governor's comments on changing the tax laws in the mining industry, such changes will reflect a new revenue for the state. Mr. Alastuey stated that this is not now reflected in the budget. The net proceeds of mines tax and the additional possible surcharge on top of the quarterly state license fee for gaming are intended to be considered as equalizers if they are thought of and budgeted that way. An additional fund would be established for the equalization.

Mr. Glover asked if the details were worked out on the net proceeds of mines. Mr. Alastuey stated that this is not fully worked out at this time. A few prospective rates for surcharge have been suggested but none have been set. Mr. Glover asked the same information of gaming. Mr. Alastuey stated that no surcharge rate has been set.

Mr. Marvel questioned the witness as to the net proceeds that would be returned to the counties and the program designed to accomplish this. Mr. Alastuey stated that a formula is not completed at this time. The net proceeds issue as well as the gaming surcharge go hand in hand. He stated that conceptually the idea is complete but there is no formula for distribution established at this time. Chairman Bremner inquired as to whether the money could be spent now if it is going to be collected in taxes. Mr. Alastuey stated that a number of counties collect very little in sales tax, with a large property tax collection, so returning monies on the basis of total sales in those counties could constitute a problem.

Mr. Bible distributed an overview of the budget and the effects of the state of the state on the budget. In addition he distributed a new and existing position comparison by function 1980-81 work program for the 1981-83 biennium. The handouts are designated EXHIBITS A and B respectively and are attached to the minutes.

Mr. Glover asked Mr. Alastuey if a position had been recommended in the Department of Taxation to handle the surcharge funds. Mr. Alastuey stated that no position has been recommended for this purpose.

Mr. Alastuey pointed out that the appropriations that are requested in the health division for 81-82 and 82-83 are exclusive of four appropriation areas for which the Budget Division is precluded from making a request. These are venereal disease control, tuberculosis control, community health services and emergency medical services.

Mr. Alastuey commented that the 10% decrease proposed by the Governor was intended as a goal which was met by a number of agencies with respect to their existing positions. There are however, some new positions, mainly in the prison system, which were created by decreasing existing positions in other agencies.

Mr. Glover asked Mr. Alastuey as to how this decrease was achieved. Mr. Alastuey stated that some budgeted positions, whether ever filled or not, were removed from various departments.

GOVERNOR'S OFFICE

Mr. Alastuey addressed the committee with respect to the Governor's office budget. The budget recommended a governor's salary increase (effective January 1, 1983) from \$50,000 annually to \$65,000. There are a number of unclassified pay increases throughout the budget. Because of a recommendation of the Management Task Force, the Press Secretary currently budgeted at \$29,540, because of a realignment in the duties of this position, is recommended to decrease 12%, to \$25,857.

Mr. Alastuey stated that substantial increase is requested for the Special Assistant to the Governor in the Las Vegas office. This position has much the same responsibilities as those in

the Carson City Office; however, the salary has lagged for a number of years behind the Carson City positions. For this reason an increase to \$32,676 is recommended to align the salary with the responsibilities of the position. Chairman Bremner pointed out that this is a 44% increase.

The Employee Relations officer is recommended for an increase from \$26,375 to \$33,676. Mr. Alastuey said that the overall sensitivity of employee relations requires that this individual be justly compensated. This request reflects an increase of 28%.

The Secretary to the Governor in effect schedules the Governor's time, and the major intermediary between staff, the public and the Governor. It is felt that a competent and highly professional employee should be attracted and retained in this position. For that reason the budget recommends an increase to \$22,841 from \$16,036.

Mr. Glover asked whether these increases are actually necessary in the light of the recommendations of the Governor's Task Force which stated that a portion of the Governor's staff was unnecessary. His question was whether the recommendations were to keep the same people or to hire other people who could carry out the functions in a proper way. Mr. Alastuey stated that the Task Force report that was issued stated that there should be some realignment of staff responsibilities, that word processing equipment should be better utilized and a new secretary was recommended. He further stated that the employee relations officer, when transferred to the Governor's Office from personnel division during the 1979 session, did not take any additional clerical support with it. It is felt that a professional position operating at this level should have a clerical support position.

Mr. Alastuey addressed the travel accounts section of the Governor's Office Budget. The amounts requested approximate 21% to 22% over actual in the first year and between 9 and 12% in the second year. This is indicative of the rate of inflation with respect to all goods and services that are anticipated in many areas of the budget. He pointed out that commercial air fares are partly responsible for the rise in the anticipated costs. The Task Force pointed out that staff should accompany the Governor in his travel to be able to advise him and to gain a better perspective of the needs of the citizens of the state. For this reason, slight increases are recommended in the travel accounts.

Mr. Hickey commented on the travel problems in past years and stressed the need to tighten up and maintain good control and careful scrutiny of all travel budgets in all departments.

Mr. Alastuey addressed the committee with respect to other contract services. Presently there are 3 MAG Card II's which are intended to be replaced with IBM visual display units. There is an increased cost, including maintenance, of \$24,000 per year as opposed to \$27,000 which is presently budgeted. In order to continue the same level of machinery that \$14,000 bought in 1979-80, it will cost slightly in excess of \$17,000. The difference is about \$6,600 to convert the 3 MAG II's to visual display units.

Other government services were addressed next by Mr. Alastuey. This area is recommended to be a payment to General Services Accounting, thus relieving the Governor's staff of accounting duties and allowing them to be more effectively utilized in the other existing areas. Chairman Bremner stated that last session on January 23, when this budget was reviewed, a request was made for a large salary increase in the Administrative Assistant's position to conduct these functions. With this function being moved from the Governor's Office, Chairman Bremner inquired if this salary would be cut back to where it was prior to this function being added. Mr. Alastuey stated that in order to maintain the same level of professionalism throughout the staff, the accounting or account clerk type duties if removed,

should not affect the salary. Chairman Bremner requested further information on which position this is.

Mr. Horn asked Mr. Alastuey about the Special Assistant in Las Vegas. Mr. Alastuey responded that the special assistant has been drastically underpaid compared to the remainder of the staff. In Las Vegas it is felt that this position should be paid the same range as others with similar responsibilities. Mr. Horn asked if the role of the position was going to change and the amount of authority the position will have. Mr. Alastuey stated that the position has been traditionally underpaid because sometime ago it was basically clerically oriented and with the growth of state government, and particularly the demand for answers to inquiries in Las Vegas, the role of the position has grown. Mr. Alastuey further responded that in order to recognize this growth, an additional salary increase is requested over and above that which is normally recommended throughout the budget.

Mr. Glover commented that the position was underfunded last time, not particularly because it was clerically oriented, but because it was politically oriented in fields outside the Governor's Office.

Mr. Alastuey addressed the redesignation of the arbitration - legal category to legislative expenses. A slight expense is recommended from \$5,000 to \$8,000 from one legislative year to the next. Previously this category was designated for contract legal services during the session to provide for legislative liason and legal assistance to the Governor's Office. It is anticipated that with the assignment of the Director of the Department of Motor Vehicles as the Chief Legislative Liason for the administration, that the amount should be redesignated strictly legislative expenses. This may involve travel, per diem, meal related items, and possibly contract clerical help for the Chief Legislative Advisor to the Governor during the session.

MANSION MAINTENANCE

Mr. Alastuey stated the increased salary requests do not have any specific full time positions assigned to it. This leaves the Governor and first lady the prerogative of simply having a pot salary money to pay individuals who will act as helpers at the mansion as cooks, housekeepers and coordinators of the general mansion activities. It is contemplated that two people will continue to be mansion help. One is to be paid 10% more than the other because that individual must stay in the mansion itself and will not have private quarters in the house ancillary to the mansion. The basis for the salary is a Grade 29, Step 1, divided by 1/2 for the food and utilities that are available to these employees while they work at the mansion. This is the basis for the \$16,210 per year request.

In out-of-state travel it is anticipated that the First Lady should be able to travel to two National Governor's Association functions per year with the Governor. One trip per month per year to Las Vegas with the Governor is anticipated.

Mr. Alastuey said that all line items in the operating category are increased due to the sharply rising costs in food and utilities. The stipends and travel item has an increase from \$1,000 in the work program to \$6,000 in each year of the biennium. Last year \$4,582 was spent on this line item. This was as a result of the initial budget being submitted at about \$1.00 per day for inmate help at the mansion. The current requests reflect a conversion to an hourly pay schedule.

Chairman Bremner commented on the utilities for the Governor's Mansion in that on March 26, at an Interim Finance Committee meeting, Mr. Jackson of the Department of Energy stated that if \$14,300 was expended in energy saving measures in the mansion,

a savings of \$6,241 would be recognized the first year, and the total cost expended on energy savings measures would be saved in 2 years. Chairman Bremner stated that it is questionable that the utilities allotment should now be increased by 50%. Mr. Alastuey stated that other budgets have recommended increases of 80% over the first year and probably another 20% in the second year of the biennium. This reflects the increased costs of heating fuels. Mr. Alastuey said that he would provide further information on the energy savings measures carried out in the last two years.

Mr. Glover requested information on other government services. Mr. Alastuey stated that other government services reflects the conversion to General Services Accounting from the reliance on the Governor's staff person.

Chairman Bremner requested information on the large increase in the food category. Mr. Alastuey stated that food and host expenses totalled in excess of \$46,000 in 1978-79. For two recommended years, they are \$58,000 and \$70,000 respectively. These amounts reflect the rising costs in food products.

OPERATIONS ANALYSIS

Mr. Berlyn Miller, Chairman of the Governor's Management Task Force, addressed the Committee and introduced two members of the Executive Committee of the Task Force, Barrie Bernet, and Russ Scharman, and Mr. Glenn DuBois. Mr. Miller said that as a result of the Governor's management Task Force recommendations a Department of Operations Analysis was placed in that budget. This accounts for the substantial increase in the Governor's budget request of \$133,000. He says that it was the feeling of the Task Force that with the growth of the State of Nevada, the demand for services in the state and the efforts to control costs, that this department should be established. This department would provide a position for a management expert to continue the functions of the Task Force. It was felt that it is essential that some management ability be available to the various department and agency heads. Mr. Miller stated that his department should be able to more than save the cost of operating the department each year. He suggested that perhaps a sunset provision be placed on it, look at it for two years, see how effective they are and if it is not, then dispose of it.

Mr. Hickey asked if this fits into the Personnel Division and management of the government. Mr. Miller stated that this is not a personnel operation, it is strictly a management operation, governing management policies, procedures, etc.

Mr. Glover observed that it seems that this should be the job of the department heads, since they should be chosen to fill the positions because of those abilities. Mr. Miller stated that in many cases and in most cases, there is a need for a department head to have access to a management expert to provide them with the advice and expertise that they do not usually have. He stated that every department head is not going to be a management specialist.

Mr. Brady requested information of Mr. Miller as to whether this individual would be available to oversee the entire operation of government and then assist individual departments to streamline their operations. Mr. Miller concurred with Mr. Brady in his observation.

Mr. Horn asked who would initiate the investigative work of this department. Mr. Miller stated that it could be initiated by the department itself or the Governor's Office.

Mr. Glover requested information on how the salary of the Director of \$35,000 compared to private industry. Mr. Miller stated that

this particular salary was arrived at in an attempt to make the position attractive enough to encourage a well qualified individual to fill and stay with the position. Mr. Miller stated that large corporations such as Nevada Bell, A T & T, and other multi department and multi agency businesses use this type of system. He said that salaries paid to individuals filling positions such as this one, in those agencies, are comparable to the \$35,000 salary requested here.

Mr. Rhoads questioned the authority that the agency would have to dictate to other departments what should be done to correct certain aspects of their functions. Mr. Miller stated that he felt that the agency would have sufficient impact because of the fact that they would be reporting directly to the Governor or his cabinet and it would become the responsibility of the Governor or his cabinet to see that the suggestions of the agency were carried out.

CRIME PREVENTION

Mr. de la Torre, Director of the Department of Law Enforcement Assistance, addressed the committee with respect to the Governor's crime prevention program. He stated that the federal funding cycle is coming to an end in June and the agency is requesting that the State fund one position and continue the program.

Mr. Glover asked Mr. de la Torre about the rate of crime increase in Nevada since the establishment of this office. Mr. de la Torre stated that he did not know those figures but that he would provide the information to the committee.

COMPREHENSIVE STATEWIDE PLANNING

Mr. Bob Hill and Mr. John Sparbel of the Planning Coordinator's Office addressed the committee with respect to the Comprehensive Statewide Planning Budget. Information was distributed by Mr. Hill and a permanent copy is on file with the Fiscal Analysis Office. Mr. Sparbel said that responsibilities added to the Planning Coordinator's Office by the Governor during the past two years consist of policy development for research, development of the application for foreign trade zone in Las Vegas, design and establishment of the MX field office, creation of a minority business enterprise commission, and small business policy development. Additional developments this last year include the development and maintenance of a state investment strategy which is being utilized to make determinations and awards of federal programs within the state, with a significant increase in the assistance which has been provided to local governments.

Mr. John Sparbel addressed the committee with reference to the budget. An approximate 6.3% increase is requested from the current work program of \$242,000 to \$258,000. The major item summarized in the financing of the program is an increase in the amount of general fund appropriations and a substantial decrease in the amount of federal funds. The increase in the amount of general funds is from \$58,000 to \$197,000, an increase of approximately 280%. Mr. Sparbel stated that in the past the office has been funded from three federal funding sources: HUD 701 Planning Program, EDA 302 Economic Development Planning Program, and by the Four Corners Regional Commission grants. He stated that all HUD 701 funds are recommended to be given to the State Division of Lands for use in their budget while in prior years these funds have been reflected in the Statewide Planning Budget. An estimate of \$60,000 from EDA funds may be available. There has been a determination by the Title V Commissions that the Four Corners funds are not to be utilized on a continuing program support basis. Mr. Sparbel further commented that the Four Corner's funds will not be available in future years and this accounts for the differential in the general fund - federal fund category.

Mr. Sparbel stated that the staffing profile remains unchanged from the current biennium. There are no new increases with one exception, the Federal Automatic Assistance Data System, shows no cost to the department through the first year of the biennium, but a small cost will be shown during the second year. This service is a summary of all federal funding that is available to the state for all city and county governments that is supplied on computer tapes. It is provided quarterly and contains information that will be of great use to the Budget Office and the Research Division. The request is for a \$1,300 allocation. Six Hundred is for Central Data Processing, a one-time cost to adapt the computers to the tapes, and quarterly costs of approximately \$175 to run the system. Mr. Sparbel pointed out that it is also recommended that the biennial report and the state statistical abstract be continued since this provides a consistent means of getting information on state agency activities through the biennial report to the legislature.

Mr. Vergiels asked Mr. Hill and Mr. Sparbel why it seems as though the statistics used in the abstract are old and outdated. Mr. Sparbel stated that the information published in the abstract is the most recent available and the most reliable. Much of the information is provided by the Bureau of Census which compiles information every 5 or 10 years. If the bureau obtains information that they do not feel is reliable, rather than put that into the tables as speculative information, they use only the confirmed figures available to them.

Vice Chairman Hickey requested information on the MX planning that is currently going on. Mr. Hill indicated that his department is gathering data to be used by the Economic Development Department in developing and implementing plans for the MX system. Employment and training opportunities are being explored by his department, construction work force estimates, financial mechanism development to support small business development, and studies of boomtown effects.

Mr. Hickey asked who will pay for all of this. Mr. Hill stated that the Federal Government will. Mr. Alastuey directed the attention of the committee to page 1020 of the budget which reflects the MX Planning Budget. This shows the absorption into state service of the MX planning function.

Mr. Hickey asked whether the State would have to have a revolving fund set aside because of the slowness of the allocation of federal funds. Mr. Hill stated a memorandum of agreement between the Four Corners Regional Commission and the Air Force is on the verge of being signed. This is the only step that remains in terms of the funds actually beginning the flow. It is felt that funds will come in a sufficient amount so as to preclude the need for a revolving fund set up.

Chairman Bremner requested information on the number of federal grants controlled by the Planning Coordinator's Office. Mr. Sparbel stated that at this current time there are three federal funding sources for funding the operations. He further stated that all applications for federal funds must come through their office for review and comment and that last year they reviewed 821 federal grant programs.

Chairman Bremner requested information on the word processors. Mr. Sparbel stated that the actual cost reflected in the budget are for the two word processors plus the annual maintenance agreements.

Mr. Glover asked what the rate of turnover is in the office. Mr. Hill stated that among the professional staff there has been no turnover in the two years he has been there. In the three clerical positions, there has been some turnover. Mr. Glover stated that one of the positions reflects a decrease from \$15,346 to \$12,089. Mr. Sparbel stated that this reflects a change in the grade and step and the new person filling the job did not start at the top

step and grade. Chairman Bremner asked if any vacancies existed at this time.

Mr. Horn requested information on 3 or 4 of the major accomplishments of the department during the last biennium. Mr. Hill stated that the major work of the office has been in the area of policy and research for the governor. The department has been able to get to the point where foreign trade zone license will be granted within the next month or two in Las Vegas; heavy involvement during the past two years in the initial design and startup of the MX Field Office; a great deal of work has been done in the area of minority business development; and, the state clearing house is a heavy responsibility in the office, where some 800 federal grant applications are reviewed each year.

COMPREHENSIVE STATEWIDE PLANNING - FEDERAL FUNDS

Mr. Sparbel addressed the committee with respect to this budget, which is a revenue budget related to the Planning Coordinator's Office budget requests. In 1981-82 under HUD 701 there is an indication of \$73,000 available to the state, composed of three categories, \$25,000 for counties and small cities, such funds being administered by the Statewide Planning Office, \$8,000 for small multicounty organizations, i.e. the Carson River Basin Council of Governments; and \$40,000 which will be used by state agencies. The \$40,000 is recommended to be located in the State Division of Lands Budget. \$60,000 is the EDA 302 grant and this is the amount of funding that is proposed to be located and picked up administratively in the 1010 budget.

COMMISSION ON THE FUTURE OF NEVADA

Mr. Hill addressed the committee with reference to the handout pertaining to AB 451 which was enabling legislation on the Commission on the Future of Nevada. The handout contains a brief description of each of the recommendations, the page on which they are found and a reference as to whether or not executive or legislative action would be required to implement the requests, as well as a staff organizational chart. A permanent copy of this information is on file in the office of the Fiscal Analyst.

Mr. Sparbel addressed the budget and stated that it indicates, as required by the legislation that the Commission has been sunsetted. It ended its work and went out of existence on Dec. 31 and there are no requests for additional funds for the commission. There was previously authorized \$180,000 which was spent on the work of the commission.

All final bills are not in because work was just completed on Dec. 31. The estimate is however, that \$2,500 to \$3,000 of the budget was unexpended and will be reverted to the State General Fund and/or the appropriate federal funds in proportion to the ratio in which they contributed to the program.

Mr. Glover asked if the recommendations of the commission have been drafted. Mr. Hill stated that there are some presently being drafted. Mr. Hill further stated that not all recommendations that require legislation are going to be drafted as part of the Governor's current program. Since the recommendations were not intended to be implemented the first year. It was viewed by the Commission as a document that could be referred to over a period of time and be used as a guide for making decisions. He said that decisions as to which ones should be drafted and which ones should not be drafted will be coming from the Governor and his cabinet or other members of the legislature.

Chairman Bremner introduced Senator Jean Ford who commented on prospective legislation to be introduced in relation to planning. She stated that a plan to manage growth is the overall objective of the Statewide Planning Department and it is felt that they did a very good job tapping in to what the people of Nevada are thinking

and what their long range desires are for the growth of the state. She further stated that one of the recommendations and one of the bills that is being drafted relates to local comprehensive planning. Another relates to the relationships of local governments to state governments, with a recommendation to draw together some of the state agencies that deal with local government the most, such as land use, economic development, etc. The third bill being drafted deals with the state planning, and, relationships between state agency and state agency as a total comprehensive plan. Senator Ford commented on data gathering which was found to be insufficient in many areas. She stated that someone in state government needs to be working as the central data gathering agency, updating, and working with university, business and economic research. The information may be available but it is not in a form that can be utilized by anyone. She commented that the funds are not in the budget, nor were they in the previous budgets to employ the staff to gather and process this type of valuable information. She stated that the data gathering and information processing is very necessary for a proper evaluation of the MX projects.

FOUR CORNERS REGIONAL COMMISSION

Mr. Hill addressed the committee on the Four Corners Regional Commission budget requests and directed the attention of the committee to a portion of the handout which has been placed on file with the Fiscal Analysis office. He commented on the process by which the Four Corners Commission is determining which projects to recommend to the Governor for funding. He stated that some 7.6 million dollars in economic development projects have been awarded over the past two years.

Mr. Sparbel stated that there are currently two positions budgeted, one called Regional Representative to Four Corners Commission and one called Management Assistant. It is recommended that both of these positions be downgraded during the next biennium because this program is now being administered through the State Planning Office and this high level of expertise is no longer required. The estimated dues are \$32,700 which is a 9% increase in the current work program. Administration costs of the program are carried 100% by the Federal Government and they show a 25% decrease over the current work program. An 8% reduction in salary is also reflected.

It is anticipated that the commission will be able to assist the cities and counties with 7 to 8 million dollars in needed improvement programs. Most of these programs are needed improvement programs to small city water systems and other facilities of this nature.

Mr. Bible distributed a handout regarding interim finance, which is attached as EXHIBIT C.

Chairman Bremner adjourned the meeting, to reconvene at the hour of 8:00 a.m. on January 26, 1981.

Exh A

GENERAL FUND APPROPRIATIONS
FUNCTIONAL SUMMARY
(in millions)

Function	1979-81 Biennium		1981-83 Biennium		% Change Appropriation
	Appropriations	% of Total	Appropriations	% of Total	
General Government	\$ 35.9	5.5%	\$ 44.3	5.7%	23.2%
Education	401.1	61.0%	393.5	50.9%	(2.0%)
Human Resources	127.1	19.3%	187.4	24.2%	47.3%
Public Safety	40.8	6.2%	65.5	8.5%	60.4%
Regulatory	19.5	3.0%	27.1	3.5%	39.0%
Conservation/Agriculture/Energy	16.2	2.4%	18.5	2.4%	14.5%
Highway/Motor Vehicles	3.2	.5%	4.9	.6%	57.0%
Miscellaneous	<u>14.2</u>	<u>2.1%</u>	<u>32.3</u>	<u>4.2%</u>	<u>128.2%</u>
Total - All Functions	<u>\$658.0</u>	100.0%	<u>\$773.5</u>	100.0%	17.6%

Source: Fiscal Analysis Division

Notes:

1. 1979-81 appropriations include actual general fund expenditure for fiscal year 1979-80 and appropriations for fiscal year 1980-81.

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GENERAL FUND APPROPRIATIONS
FUNCTIONAL SUMMARY
(in millions)

<u>Function</u>	<u>1979-81 Biennium</u>		<u>1981-83 Biennium</u>		<u>% Change Appropriation</u>
	<u>Appropriations</u>	<u>% of Total</u>	<u>Appropriations</u>	<u>% of Total</u>	
General Government	\$ 35.9	5.8%	\$ 44.3	5.7%	23.2%
Education	363.5	58.6%	393.5	50.9%	8.3%
Human Resources	127.1	20.5%	187.4	24.2%	47.3%
Public Safety	40.8	6.6%	65.5	8.5%	60.4%
Regulatory	19.5	3.1%	27.1	3.5%	39.0%
Conservation/Agriculture/Energy	16.2	2.6%	18.5	2.4%	14.5%
Highway/Motor Vehicles	3.2	.5%	4.9	.6%	57.0%
Miscellaneous	<u>14.2</u>	<u>2.3%</u>	<u>32.3</u>	<u>4.2%</u>	<u>128.2%</u>
Subtotal - All Functions	\$620.4	100.0%	\$773.5	100.0%	24.7%
30¢ School Tax	<u>37.6</u>		<u>-0-</u>		
Total - All Functions	\$658.0		\$773.5		17.6%

Source: Fiscal Analysis Division

Notes:

- (1) Education figures exclude the appropriations in the 1979-81 biennium to replace the 30¢ school property tax.
- (2) 1979-81 appropriations include actual general fund expenditures for fiscal year 1979-80 and appropriations for fiscal year 1980-81.

New & Existing Position Comparison by Function
1980-1981 Work Program - 1981-1983 Biennium

Function	1980-81 Work Program Total	1981-82			1982-83			More or (Less) 1982-83 Compared to 1980-81	
		Governor's Recommendation		Total	Governor's Recommendation		Total	Total	% Change
	Existing	New	Existing		New				
General Government:									
<u>Elected Officials</u>									
Governor	51	52	5	57	52	5	57	6	11.8%
Lieutenant Governor	2	2	0	2	2	0	2	0	0
State Treasurer	10	10	0	10	10	0	10	0	0
Controllers Office	29	29	0	29	29	0	29	0	0
Attorney General	82	84	2	86	82	2	84	2	2.4
Secretary of State	27.25	25.25	0	25.25	25.25	0	25.25	(2)	(7.3)
<u>Department of Administration</u>									
Budget Division	20	19	0	19	19	0	19	(1)	(5.0)
Personnel	57	57.50	1	58.50	57.50	1	58.50	1.5	2.6
Other	27	22.5	4.5	27.0	22.50	4.5	27.0	0	0
Total	104	99.00	5.5	104.50	99.00	5.5	104.50	.5	.5
<u>Department of General Services</u>									
Director's Office	2	2	1	3	2	1	3	1	50
Purchasing	45	42	1	43	42	1	43	(2.0)	(4.4)
Motor Pool	12.50	12.50	1	13.50	12.50	1	13.50	1.0	8.0
State Printing Office	62.42	60.54	3	63.54	60.54	3	63.54	1.12	1.8
Buildings & Grounds	134.05	102.8	1	103.8	102.8	1	103.8	(30.25)	(30.0)
Central Data Processing	52	47	0	47	47	0	47	(5)	(9.6)
Total	307.97	266.84	7	273.84	266.84	7	273.84	(34.13)	(11.1)
<u>Department of Taxation</u>									
	130	119	0	119	119	0	119	(11)	(8.5)
<u>Judicial Branch</u>									
Supreme Court	39	39	2	41	39	2	41	41	5.1
Law Library	5.50	4.50	0	4.50	4.50	0	4.50	(1)	(18.2)
Admin. Office of the Courts	7.00	8.50	3.50	12.00	8.50	3.50	12.00	5	71.4
Other	3.00	1.50	0	1.50	1.50	0	1.50	(1.5)	(50.0)
Salaries & Pensions	40	42	3	45	42	6	48	8	20.0
Total	94.50	95.50	8.50	104.00	95.50	11.50	107.00	12.5	13.2
<u>Miscellaneous</u>									
	129.75	120.75	16	136.75	120.75	17	137.75	8	6.2
Total General Government	967.47	903.34	44	947.34	901.34	48	949.34	(18.13)	(1.9)%

EXHIBIT B

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-55-

New & Existing Position Comparison by Function
1980-1981 Work Program - 1981-1983 Biennium
(Continued)

Function	1980-81 Work Program	1981-82			1982-83			More or (Less) 1982-83 Compared to 1980-81	% Change
		Governor's Recommendation		Governor's Recommendation	Governor's Recommendation				
	Total	Existing	New	Total	Existing	New	Total	Total	
Education									
<u>Department of Education</u>	92.50	79.50	2	81.50	79.50	2	81.50	(11)	(11.9)%
<u>State Library</u>	33	29	0	29	29	0	29	(4)	(12.1)
<u>Department of Museums & History</u>	36.80	33.40	9	42.40	33.40	9	42.40	5.60	15.2
<u>Other</u>	7	7	0	7	7	0	7	0	0
<u>WICHE</u>	1.50	1.50	0	1.50	1.50	0	1.50	0	0
University System									
System Administration									
Professional	16			14			14	(2)	(12.5)
Classified	8			6			6	(2)	(25.0)
University of Nevada Reno									
Professional	411.47			401.66			401.66	(9.81)	(2.4)
Classified	342.6			340.75			346.50	3.90	1.1
Intercollegiate Athletics-UNR									
Professional	21.44			*			*	0	0
Classified	4.50			*			*	0	0
Agricultural Experiment Station									
Professional	44.98			40.48			40.48	(4.5)	(10.0)
Classified	43.75			39.50			39.50	(4.25)	(9.8)
Cooperative Extension Service									
Professional	72.98			65.68			65.68	(7.3)	(10.0)
Classified	20.48			18.48			18.48	(2.0)	(9.8)
School of Medicine									
Professional	75.17			74.36			74.36	(.81)	(1.1)
Classified	40.75			30.75			30.75	(10.00)	(24.5)
University Press									
Professional	3			3			3	0	0
Classified	2			2			2	0	0
System Computing									
Professional	22.00			25.00			25.00	3	13.6
Classified	30.25			28.50			28.50	(1.75)	(5.8)

New & Existing Position Comparison by Function
 1980-1981 Work Program - 1981-1983 Biennium
 (Continued)

Function	1980-81 Work Program Total	1981-82			1982-83			More or (Less) 1982-83 Compared to 1980-81 Total	% Change
		Governor's Recommendation		Total	Governor's Recommendation		Total		
		Existing	New		Existing	New			
Education (Continued)									
Statewide Programs - UNR									
Professional	32.24			30.62			30.62	(1.62)	(5.0)%
Classified	21.55			20.05			20.05	(1.50)	(7.0)
Business Center - North									
Professional	10.33			10.33			10.33	0	0
Classified	56.64			58.64			58.64	2	3.5
University of Nevada - Las Vegas									
Professional	368.00			367.17			376.30	8.3	2.3
Classified	308.67			293.07			300.73	(7.94)	(2.6)
Intercollegiate Athletics - UNLV									
Professional	8.85			*			*	0	0
Classified	7.00			*			*	0	0
Statewide Programs - UNLV									
Professional	6.99			6.99			6.99	0	0
Classified	2.25			2.25			2.25	0	0
Business Center - South									
Professional	8.33			8.33			8.33	0	0
Classified	37.33			38.33			38.33	1	2.7
Clark County Community College									
Professional	190.87			195.80			207.06	16.19	8.5
Classified	74.48			79.27			81.68	7.2	9.7
Western Nevada Comm. College									
Professional	71.84			73.61			79.76	7.92	11.0
Classified	25.50			23.87			24.80	(.7)	(2.7)
Truckee Meadows Comm. College									
Professional	104.41			102.29			110.22	5.81	5.6
Classified	50.00			43.34			44.54	(5.46)	(10.9)
Northern Nevada Comm. College									
Professional	31.05			30.32			31.16	.11	0
Classified	14.00			16.68			16.81	2.81	20.1
Desert Research Institute									
Professional	14.95			14.95			14.95	0	0
Classified	9.00			8.50			8.50	(.50)	(5.6)

* Lump sum recommendation with no positions specified. Assumed to be same as work program.

New & Existing Position Comparison by Function
 1980-1981 Work Program - 1981-1983 Biennium
 (Continued)

Function	1980-81 Work Program Total	1981-82			1982-83			More or (Less) 1982-83 Compared to 1980-81 Total	% Change
		Governor's Recommendation		Total	Governor's Recommendation		Total		
		Existing	New			Existing		New	
Total University System									
Professional	1,514.90			1,494.88			1,530.19	15.29	1%
Classified	1,098.75			1,061.48			1,079.56	(19.19)	(1.8)
Total Education w/o University	170.80	150.40	11	161.40	150.40	11	161.40	(9.4)	(5.5)%
Total Education with University	2,784.45	n/a	n/a	2,717.76	n/a	n/a	2,771.15	(13.3)	(.5)%
Human Resources									
<u>Dept. of Human Resources</u>									
Director's Office	8	7	1	8	7	1	8	0	0%
Health Division	228	217	19	236	217	19	236	8	3.5
Mental Hygiene/Mental Retardation	995	977	103	1,080	968.5	105	1,073.5	78.5	7.9
Welfare Division	686.3	647.8	24.2	672	632.3	26.2	658.5	(27.8)	(4.1)
Rehabilitation Division	231.5	201.5	1.25	202.75	201.5	1.25	202.75	(28.75)	(12.4)
Youth Services Division	216.75	216.25	0	216.25	214.25	0	214.25	(2.5)	(1.2)
Aging Services	19.50	17.5	1.00	18.50	17.50	1.00	18.50	(1.0)	(5.1)
Health Planning & Resources	11.50	8.50	1.50	10.00	8.50	1.50	10.00	(1.5)	(13.0)
Total Human Resources	2,396.55	2,292.55	150.95	2,443.50	2,266.55	154.95	2,421.50	24.95	1.0%
Public Safety									
<u>Department of Prisons</u>									
Existing Programs/Institutions	593.5	578.58	48.30	626.88	578.50	66.44	644.94	51.44	8.7%
New Prison/Programs	4	4	122.13	126.13	4.00	166	170	166	4,150
<u>Dept. of Parole & Probation</u>	168.5	167	5.5	172.5	167	23	190	21.5	12.8
<u>Dept. of Law Enforcement Assistance</u>	61	53	0	53	52	0	52	(9)	(14.8)
<u>Dept. of the Military</u>	26.75	25.75	1	26.75	25.75	1	26.75	0	0
<u>Other</u>	18.0	14.0	3	17.0	14.0	3	17.0	(1)	(5.6)
Total Public Safety	871.75	842.33	179.93	1,022.26	841.25	259.44	1,100.69	228.94	26.3%

New & Existing Position Comparison by Function
 1980-1981 Work Program - 1981-1983 Biennium
 (Continued)

Function	1980-81 Work Program Total	1981-82			1982-83			More or (Less)	
		Governor's Recommendation		Total	Governor's Recommendation		Total	Compared to 1980-81	% Change
		Existing	New		Existing	New			
Regulatory									
<u>Dept. of Commerce</u>	138	126.50	11	137.50	126.50	11	137.50	(.5)	(.4%)
<u>Gaming Control Board</u>	266.50	265.50	44	309.50	265.50	44	309.50	43	16.1
<u>Public Service Commission</u>	71	61	16	77	61	16	77	6	8.5
Other	74	72	3	75	72	3	75	1	1.4
Total Regulatory	549.50	525	74	599	525	74	599	49.50	9.0%
Conservation & Natural Resources									
<u>Dept. of Cons. & Natural Resources</u>	252.75	230	22	252	230	22	252	(.75)	(.3%)
<u>Dept. of Energy</u>	35	35	1	36	35	1	36	1	2.9
<u>Dept. of Agriculture</u>	98	81	0	81	81	0	81	(17)	(17.3)
<u>Dept. of Wildlife</u>	154.31	151.09	1	152.09	151.09	1	152.09	(2.22)	(1.4)
Total Conservation & Natural Resources	540.06	497.09	24	521.09	497.09	24	521.09	(18.97)	(3.5)%
Miscellaneous									
<u>Dept. of Motor Vehicles</u>	632.75	630.75	18	648.75	630.75	10	640.75	8	1.3%
<u>Public Employees Retirement System</u>	44	42	1	43	42	1	43	(1)	(2.3)
<u>Nevada Industrial Commission</u>	729.75	712.75	27.5	740.25	708	42.5	750.5	20.75	2.8
<u>Employment Security Dept.</u>	625.5	625.5	0	625.5	625.5	0	625.5	0	0
<u>Dept. of Transportation</u>	1,465.9	1,464.9	26	1,490.9	1,464.9	36	1,500.9	35	2.4
<u>Rural Housing</u>	13	13	1	14	13	1	14	1	7.7
Total Miscellaneous	3,510.90	3,488.90	73.5	3,562.40	3,484.15	90.5	3,574.65	54.75	1.6%
Total All Functions w/o University	9,007.03	8,699.61	557.38	9,256.99	8,665.78	661.89	9,326.17	311.64	3.5%
Total All Functions with University	11,620.68			11,813.35			11,937.42	316.74	2.7%

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU
LEGISLATIVE BUILDING
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710

LEGISLATIVE COMMISSION (702) 885-5627
KEITH ASHWORTH, *Senator, Chairman*
Arthur J. Palmer, *Director, Secretary*
INTERIM FINANCE COMMITTEE (702) 885-5640
DONALD R. MELLO, *Assemblyman, Chairman*
Ronald W. Sparks, *Senate Fiscal Analyst*
William A. Bible, *Assembly Fiscal Analyst*

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



FRANK W. DAYKIN, *Legislative Counsel* (702) 885-5627
JOHN R. CROSSLEY, *Legislative Auditor* (702) 885-5620
ANDREW P. GROSE, *Research Director* (702) 885-5637

January 22, 1981

MEMORANDUM

TO: Members of the Assembly Ways and Means Committee
Members of the Senate Finance Committee

FROM: William Bible, Fiscal Analyst *WB*
Fiscal Analysis Division

SUBJECT: Enclosed Correspondence

Following the January 7, 1981, meeting of the Interim Finance Committee, I contacted, at the committee's direction, Mr. Kent Weisner of Kennedy Sky-Lites to determine what, if any, financial arrangements he had made to construct a plant in Lyon County (Attachment A). In response to this correspondence, Mr. Weisner informed us by letter dated January 15, 1981, (Attachment B) of the steps, both financial and other, which he has taken on the proposed project. Also attached (Attachment C) is a proposed contract drafted by Mr. Weisner's attorneys to permit the requested allocation.

In telephone conversation, I told Mr. Weisner that we would direct his correspondence to the appropriate committees of the Legislature.

WB:np

Attachments

cc: Speaker Robert Barengo
Frank W. Daykin, Legislative Counsel

EXHIBIT C

STATE OF NEVADA

LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710



LEGISLATIVE COMMISSION (702) 885-5627

KEITH ASHWORTH, *Senator, Chairman*
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INTERIM FINANCE COMMITTEE (702) 885-5640

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William A. Bible, *Assembly Fiscal Analyst*

ARTHUR J. PALMER, *Director*
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JOHN R. CROSSLEY, *Legislative Auditor* (702) 885-5620
ANDREW P. GROSE, *Research Director* (702) 885-5637

January 8, 1981

Mr. Kent A. Weisner, President
Kenergy Corporation
Post Office Box 17832
Orlando, Florida 32810

Dear Mr. Weisner:

Since your letter of November 21, 1980, the Interim Finance Committee has received no information that you have made the required financial arrangements to construct your plant in Lyon County or to draw the money allocated for this purpose, except the letter or letters of credit orally mentioned to Mr. Sparks yesterday. The committee has therefore voted to withdraw the allocation, effective 5 days after a reasonable time for your receipt of this notice.

This action was taken at the request of the Lyon County authorities, who therefore release you from any commitments to them upon withdrawal of the allocation. If before receiving this letter you have made any binding commitment to anyone else, please notify this office in writing on or before January 16, 1981.

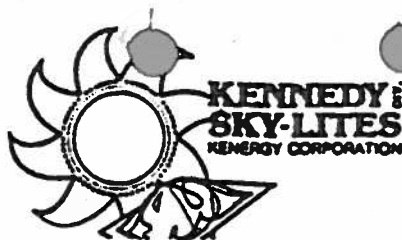
Very truly yours,

William A. Bible, Fiscal Analyst

WAB:ym

cc: Assemblyman Donald R. Mello
Frank W. Daykin, Legislative Counsel

ATTACHMENT A



January 15, 1981

Mr. William A. Bible
Fiscal Analyst
Interim Finance Committee
Legislative Counsel Bureau
State of Nevada
Capitol Complex
Carson City, Nevada 89710

Dear Bill:

Your letter of January 8, 1981 arrived on my desk this morning, and I was thunderstruck to learn that the Interim Finance Committee is considering withdrawal of funds committed to our Lyon County project on the grounds that it has not received appropriate information.

In fact, we have been proceeding as expeditiously as possible to make the necessary financial arrangements for the project, including arrangements respecting the furnishing of an appropriate letter of credit. We have recently received a bank commitment to furnish a letter of credit. I have personally travelled extensively to negotiate the acquisition of the necessary capital equipment, real property and financing and the Company has incurred significant legal fees and travel and other expenses in furtherance of the financial and operational plans for the project. One substantial piece of equipment, a Wysong 72" shear, has already been purchased for installation at the facility, and the Company has been constructing molds for hyperbolic paraboloid shaped sky lights (which will withstand extreme snow loads and are thus especially suited for application in the western states) for use in Yerington.

We have had no previous indication from anyone that we have been remiss in furnishing information to the Committee, and in fact had not regarded the matter as one of immediate urgency because of the Committee's own repeated statements that the funds to finance the loan would not be fully available until September 1981. In the minutes of the Committee for June 25, 1980, Chairman Mello remarked that "it appeared that interest on the \$5,000,000 allocated to Lynch Communications Systems would amount to \$392,000 by

KENERGY CORPORATION Kennedy Sky-Lites Division
P.O. Box 17832 • 3647 All American Boulevard • Orlando, Florida 32810 • (305) 293-3880



ATTACHMENT B

page two
Mr. William A. Bible

September 1981. He suggested that these funds and possibly funds from the Contingency Fund could be obligated to Kennedy Sky-Lites in order to start the project in Lyon County." At the same meeting, Mr. MacKenzie noted that "the interest funds would not be available until September 1981". Further, at the October 14, 1980 meeting, Chairman Mello stated that "Mr. Weisner had been told that the interest money would be available to him but that it would be a matter of time until the requested \$700,000 had accumulated". It therefore appears that any delay in implementation of the project has been and will be occasioned by the unavailability of funds from the State rather than any dilatory conduct on our part. Although there has been discussions of legislative action to make funds available at an earlier date, we could not, of course, rely on such availability since the legislature has not yet taken any such action.

As recently as January 12, 1981 (before receipt of your letter of January 8), I wrote to Ron Sparks requesting certain information and indicating our continuing efforts to make appropriate arrangements at this end. I enclose a copy of that letter for your information.

I am happy to be able to tell the Committee that we have developed a program (and are presently in the process of negotiating commitments in connection therewith) which will permit the earlier start-up of manufacturing and employment in Lyon County than was previously contemplated. As indicated in minutes of the Committee and correspondence, the full amount of the funds may not be available until September 1981, and hence both we and the State contemplated commencement of construction at that time. We presently believe that under the program now being developed construction can begin substantially in advance of that date and that manufacturing may be commenced in temporary quarters even before construction is started.

Our Orlando attorney, Mr. Frank T. Black, will be forwarding to you today or tomorrow a proposed draft of a contract modeled on the Lynch Communications Systems contract which you sent me under cover of your letter of October 28, 1980, which draft reflects the program described above, together with a letter explaining in greater detail how we propose to accelerate the commencement of operations in Lyon County.

ATTACHMENT B

page three
Mr. William A. Bible

In light of the foregoing, it seems to me that it would be manifestly unjust for the Committee to attempt to withdraw the firm commitment made to our company for a program which is proceeding perhaps even more rapidly than contemplated and which offers substantial benefits to the people of Lyon County.

I trust that the State of Nevada will be willing to reaffirm this commitment in the near future so that we may proceed with the program.

I will be looking forward to hearing from you on this matter in the near future.

Very truly yours,

KENERGY CORPORATION

By



Kent A. Weisner, President

BY HAND DELIVERY

ATTACHMENT B

January 12, 1981

Mr. Ronald W. Sparks
Senate Fiscal Analyst
Nevada Legislative Counsel Bureau
Room 341, Legislative Building
Carson City, Nevada 89710

Dear Ron:

Thank you for your telephone call on January 7th concerning our plans relative to Industrial Development Funding for our project in Lyon County. Sorry I missed you, but Harold Johnson informed me of your discussion concerning the letter of credit.

We presently have a written commitment from our bank here in Orlando to satisfy our contemplated needs with respect to the letter of credit. However, the cost to us for such a long term commitment, while not completely prohibitive, is considered excessive by our standards; therefore, we are shopping alternative sources at the present time for a better rate.

You would certainly be helping the process along, Ron, if you could inform me of the amount of interest accumulated in the fund at the present time and your best estimate of that balance at March 31 and June 30 of this year. This information will greatly assist me in my negotiating efforts for better terms.

(continued . . .)

Sent copy to Mr. Tom Brady 1/14/81

ATTACHMENT B

Mr. Ronald W. Sparks
January 12, 1981
Page 2

I look forward to hearing from you in the near future.

Very truly yours,

Kent A. Weisner
President

KAW/jde

ATTACHMENT B

-66

BAKER & HOSTETLER
ATTORNEYS AND COUNSELLORS AT LAW

ADMITTED IN FLORIDA
V. KEITH YOUNG
WILLIAM B. MESMER
RICHARD F. TRISHEN
JOEL H. SHARP, JR.
JERRY R. LINSKOTT
FRANK T. BLACK
G. THOMAS BALL
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ROBERT W. BOYD
DENIS L. DURKIN
HAROLD E. MORLAN, II
MARTHA G. ANDERSON
FREDERIC B. O'NEAL
DAVID E. TERRY

REPLY TO: Orlando

January 16, 1981

GEORGE W. JOHNSON
OF COUNSEL

Mr. William A. Bible
Fiscal Analyst
Interim Finance Committee
Legislative Counsel Bureau
State of Nevada
Capitol Complex
Carson City, Nevada 89710

RECEIVED

JAN 19 1981

**LEGISLATIVE COUNSEL BUREAU
FISCAL ANALYSIS DIVISION**

Re: Kennedy Sky-Lites, Inc.

Dear Mr. Bible:

I am writing to you at the request of Mr. Kent A. Weisner, President of Kennedy Sky-Lites, Inc. (now by change of name Kenergy Corporation) (the "Company") in connection with the contemplated loan to the Company to be made by Lyon County, Nevada (the "County") with funds to be furnished by the State of Nevada from those available to the Interim Finance Committee of the Nevada Legislature, pursuant to action taken at the meeting of the Committee on June 25, 1980 and the meeting of its Subcommittee on Industrial Development on October 14, 1980.

Enclosed herewith is a proposed draft of a contract between the Company and the County, which is modeled on the contract between Lynch Communications Systems, Inc. (Nev.) and White Pine County, a draft of which was furnished to Mr. Weisner under date of October 28, 1980. I would like to comment on several provisions of the proposed draft, which, among other things, is intended to expedite the commencement of activity in the City of Yerington by the Company and to permit the earlier hiring of employees than had previously been contemplated.

ATTACHMENT C

page two

Mr. William A. Bible

January 16, 1981

1. As indicated in paragraph 1 of the proposed draft, the Company is presently negotiating with the owners of the land on which the facility is ultimately to be located so that the owners will construct the contemplated building commencing at the earliest possible date and will lease it to the Company under an arrangement which will permit the Company to purchase the building when State funds become available to it. As indicated in your letter of October 28, 1980 and the enclosed minutes, the full amount to be loaned to the Company may not be available until September 1981; however, the lease program will permit construction of the building before that date and hence the early commencement of manufacturing and employment. The lease arrangements will in no way impair the security of the County and the State with respect to the loan, since the County will have (in addition to the letter of credit) a first security interest in all equipment purchased with early advances on the loan and will also have an assignment of the lease as security for such advances. Since the owners will put up the money for actual construction of the building, the County will not be asked to advance any funds to be expended on the building until such time as such funds are available and the Company is able to grant to the County a first mortgage on the premises in connection with its acquisition thereof pursuant to the purchase option in the lease.

2. As noted above, the Company desires to commence its operations in Yerington at the earliest possible moment. It is therefore making arrangements to lease 12,000 square feet of space in an existing building in Yerington in order to get started on a small scale and be better prepared to enter full production as soon as the new building is available. As reflected in the proposed draft, the Company would contemplate acquiring certain machinery in the very near future for installation in the temporary premises and using a portion of the loan proceeds to finance the acquisition of this equipment, which would, of course, be fully encumbered to the County and would be transferred to the new facility upon its completion.

3. As reflected in paragraph 3 of the proposed draft, we are suggesting that the maximum amount of the loan be increased to \$725,000, primarily to cover inflationary increases since the time of the original proposal.

ATTACHMENT C

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page three

Mr. William A. Bible
January 16, 1981

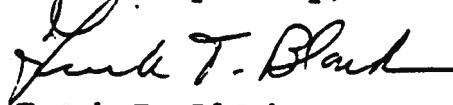
4. I have revised somewhat the provisions respecting the letter of credit contained in paragraph 4 of the proposed draft to reflect what I believe is what was contemplated by the parties, i.e., that the letter of credit will be amended (or a new letter of credit substituted) to reflect one-half of the total draws at the time of each draw. As discussed above, the deed of trust on the real property will be delivered against the advance to be used to pay the purchase price upon exercise of the option under the lease.

The copy of the draft contract which Mr. Weisner received had attached to it an Appendix A, which may not be the "Exhibit A" contemplated by the draft. I am not certain exactly what the provisions of Exhibit A should be, and I would appreciate your verifying the contents of the Exhibit A attached to the Lynch contract and forwarding me a copy, whereupon I will revise it to conform to the instant transaction.

Mr. Frank Cassas of Hill, Cassas, deLipkau and Erwin, the Company's Nevada counsel, has not yet had an opportunity to look at the proposed draft, and it is possible that he may have some suggestions. Subject to Mr. Cassas' comments, the Company has informed me that the provisions contained in the proposed draft are satisfactory to it. Based on the possibility that this draft will be acceptable to all parties, Mr. Weisner has executed it on behalf of the Company; but this is not intended to imply that we are not amenable to revisions, and suggestions will be welcomed. I would be glad to have the comments of any of the recipients of this letter on the proposed draft, and their advice as to how best we might expedite the execution of the contract so that the Company's program in Yerington can proceed at the earliest possible time.

Thank you very much for your cooperation in this matter.

Yours very truly,



Frank T. Black

0101/2048

encls

cc: Frank W. Daykin
Ronald W. Sparks

ATTACHMENT C

CONTRACT

THIS CONTRACT is made and entered into this _____ day of _____, 1981, by and between the COUNTY OF LYON, STATE OF NEVADA, a political subdivision, hereinafter sometimes referred to as the "County," AND KENERGY CORPORATION (formerly known as Kennedy Sky-Lites, Inc.), a Florida corporation, hereinafter sometimes referred to as the "Company".

WHEREAS, The Interim Finance Committee of the State of Nevada, pursuant to the provisions of Chapter 621, Statutes of Nevada 1979, has adopted a resolution, a copy of which is attached hereto and marked Exhibit "A"; and

WHEREAS, Such resolution requires the execution of this contract between the County and the Company; now, therefore, the parties hereto, in consideration of the mutual promises herein contained, hereby agree as follows:

1. The Company will enter into a lease agreement (the "Lease") for the acquisition of a leasehold interest in an industrial facility in the County (the "Facility") designed to accommodate 15 to 50 employees and flexible enough to serve the needs of a variety of manufacturing industries. The Company will cause to be constructed as a part of the Facility a manufacturing and production plant for the Company of approximately 20,000 square feet, expandable to 40,000 square feet. The building will be of insulated metal construction, geared to accommodate the physical and electrical needs associated with manufacturing and production operations. The total costs of construction, equipment, training and start-up costs for the Company are estimated to be at least \$825,000. The Lease will provide that the Company will have an option (the "Option") to purchase the Facility at any time for a price initially equal to the cost of construction plus \$15,000 for land improvements installed by the owner.

ATTACHMENT C

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ATTACHMENT C

2. Prior to the completion of the Facility, the Company will use its best efforts to lease an existing building in the County (the "Temporary Facility"), to purchase and install therein certain of the equipment to be ultimately installed in the Facility and to commence operations employing from 6 to 15 employees.

3. The County will loan to the Company from the local government pooled investment fund the sum of not to exceed \$725,000 without interest for the development of the Facility, including without limitation equipping of the Facility (including the Temporary Facility) and purchase of the real property upon exercise of the Option by the Company. Money shall be withdrawn by the County from the local government pooled investment fund only pursuant to resolution of the board of county commissioners of the County in which said board certifies that the money to be withdrawn will be immediately disbursed to the Company:

(a) In reimbursement for expenses incurred for (i) purchase of real property, (ii) purchase or construction of buildings and other improvements to real property, (iii) purchase or construction of capital equipment and/or (iv) necessary design, of which in any case the board has satisfied itself by actual inspection; or

(b) In advance for expenditure for one of the purposes enumerated in subparagraph (a) of this paragraph 3, to be expended within 15 days, and for no other purpose. If any money is so advanced, the board of county commissioners must, before making any further advance or reimbursement, satisfy itself by actual inspection that all of the amount advanced has been used for the purpose for which it was advanced or for another purpose, within those enumerated in subparagraph (a) of this paragraph 3, which was approved by the board before the money was so used.

4. The Company will repay to the County the entire amount advanced or reimbursed to the Company, without interest, according to the following schedule:

(a) At least 25 percent of the amount on or before _____, 1986;

(b) At least 25 percent of the amount on or before _____, 1991;

(c) At least 25 percent of the amount on or before _____, 1996; and

(d) The remainder of the amount on or before _____, 2001.

The respective payments by the Company will be unconditionally guaranteed in full with a letter or letters of credit in an amount equal to one-half (1/2) of the amount of the loan from time to time outstanding, purchased by the Company, as the Company makes incremental withdrawals from the \$725,000 loan. The letter of credit may decrease to one-third (1/3) of the amount outstanding upon the principal payment in 4(a) above, and will no longer be required upon the principal payment in 4(b) above. The Company will also execute and deliver to the County its negotiable promissory note for each amount disbursed to it, payable in the aggregate according to the schedule prescribed above, without interest, and secured in the aggregate by (a) upon the purchase of the Facility pursuant to the Option, by a first deed of trust upon the real property and buildings and improvements thereon sold to the Company pursuant to the Option (b) a first security interest in all tangible personal property purchased from any disbursement and (c) a conditional assignment of the Lease. The deed of trust must be delivered at or before the time of the disbursement made to exercise the Option, and the security agreement and the assignment of the Lease must be delivered at or before the time of the first advance.

ATTACHMENT C

5. The Company will make all of its records of contracts and payments made for acquisition of real or personal property and for design or construction of the Facility available for examination and copying, at any time during normal business hours, to the county auditor of the County, the legislative auditor or a fiscal analyst of the State of Nevada, or any representative of any of these so designated in writing.

6. If any of the required installments of repayments by the Company is not paid in full when due, the entire remaining balance of the amount advanced or reimbursed becomes immediately due and payable. If the provision for verification contained in paragraph 5 is substantially breached, the County is obligated not to make any further advance or reimbursement and the entire amount of any prior advance or reimbursement must be immediately repaid. The parties acknowledge that the State of Nevada is the third-party beneficiary of the requirements of this paragraph 6, and that the County is without power to waive either requirement.

7. The County will pay over to the state treasurer for credit to the fund for industrial development in counties having a population of 25,000 or less all interest earned on the deposit of the \$725,000 to the local government pooled investment fund as directed by the provisions of Exhibit "A".

8. The County will immediately pay over to the state treasurer all money repaid to the County by the Company pursuant to paragraph 4 for credit to the state general fund.

9. The County will release to the state treasurer for credit to the fund for industrial development in counties having a population of 25,000 or less any balance of the \$725,000 transferred to the local government pooled investment fund by the state controller pursuant to Exhibit "A" and not advanced to the Company on the date of the termination of this contract or June 30, 1983, whichever is earlier.

10. If a breach by the Company of any of the provisions of this contract occurs, the chairman of the board of county commissioners of the County shall report this fact immediately to the director of the legislative counsel bureau of the State of Nevada.

11. This contract supersedes all prior contracts or agreements approved or executed by the parties.

12. This contract must be submitted to the legislative counsel of the State of Nevada for review prior to execution by the parties to determine whether it meets the requirements of Exhibit "A", and becomes effective only after:

(a) Approval by the legislative counsel of the State of Nevada; and

(b) Execution by the parties after compliance by the County with the provisions of NRS 244.320.

IN WITNESS WHEREOF, the parties hereto have executed this contract the day and year above written.

COUNTY OF LYON, STATE OF NEVADA

By _____
Chairman, Board of County Commissioners

ATTEST:

County Clerk
County of Lyon, Nevada

KENERGY CORPORATION

BY 

Kent A. Weisner, President

ATTEST:

Constance Walburger, Secretary,
Kenergy Corporation

The within contract between the County of Lyon, State of Nevada, and Kenergy Corporation has been reviewed by me and is approved as required by the provisions of Exhibit "A" thereof.

Legislative Counsel, State of Nevada

Date:

_____, 1981

ATTACHMENT C

