

**MINUTES OF THE
NEVADA LEGISLATURE'S
INTERIM FINANCE COMMITTEE'S SUBCOMMITTEE TO
CONDUCT A REVIEW OF NEVADA'S REVENUE STRUCTURE,
WORKING GROUP TO REVIEW RESPONSES TO THE REQUEST FOR PROPOSAL**

S.C.R. 37, 2009 SESSION

October 15, 2009

A meeting of the Nevada Legislature's Interim Finance Committee's Subcommittee to Conduct a Review of Nevada's Revenue Structure, Working Group to Review Responses to the Request for Proposal (S.C.R. 37, 2009 Session) was called to order by Chairman William J. Raggio on October 15, 2009, at 9:06 a.m. in room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada and videoconferenced to room 4412 of the Grant Sawyer State Office Building, 555 East Washington Street, Las Vegas, Nevada.

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Senator William J. Raggio, Chairman
Assemblyman Bernie Anderson
Assemblyman James Settlemeyer

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Senator Steven Horsford
Senator David R. Parks
Senator Mike Schneider
Assemblywoman Marilyn Kirkpatrick
Assemblyman Lynn D. Stewart

COMMITTEE MEMBERS ABSENT:

None

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:

Russell Guindon, Senior Deputy Fiscal Analyst, Fiscal Analysis Division
Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division
Joe Reel, Deputy Fiscal Analyst, Fiscal Analysis Division
Brenda Erdoes, Legislative Counsel
Becky Lowe, Secretary, Fiscal Analysis Division

EXHIBITS:

[Exhibit A:](#) Agenda
[Exhibit B:](#) Attendance Record
[Exhibit C:](#) Request for Proposal to Retain the Services of a Qualified, Independent Consultant to Conduct a Review of Nevada's Revenue Structure
[Exhibit D:](#) Request for Information on Itemization of Costs, and Responses from Bidders
[Exhibit E:](#) Proposed Testimony from The Nevada Consultants, Incorporated

I. ROLL CALL.

The secretary called roll and all members were present except Senator Schneider who would join the meeting in progress.

II. CONSIDERATION OF RESPONSES TO REQUEST FOR PROPOSAL FOR REVIEW OF NEVADA'S REVENUE STRUCTURE TO DETERMINE RECOMMENDATIONS TO BE MADE BY WORKING GROUP TO INTERIM FINANCE COMMITTEE'S SUBCOMMITTEE TO CONDUCT A REVIEW OF NEVADA'S REVENUE STRUCTURE.

Chairman Raggio recalled that at the last meeting of the Working Group, the eight responses to the request for proposal (RFP) were reviewed, and staff was requested to contact the bidders who did not provide an itemization of costs associated with the substantive components of items 1 through 4 of the scope of work of the RFP ([Exhibit C](#)).

Chairman Raggio asked Legislative Counsel Bureau staff to report on both the response to the request of the bidders for itemization of costs, and the approval of a funding amount by the Board of Examiners.

Russell Guindon, Senior Deputy Fiscal Analyst, Fiscal Analysis Division, reported that at its October 13, 2009, meeting, the Board of Examiners approved funding up to \$500,000 to conduct the study. That approval would allow the process to move forward to the next step, which was to request funding to conduct the study from the Interim Finance Committee (IFC).

Mr. Guindon recalled that staff was directed by the Working Group at its October 7, 2009, meeting to contact six bidders that did not provide an itemization of costs for the scope of work, specifically related to the subcomponents of item 1 and 2, as well as the components in aggregate of items 1 through 4, as requested in the RFP. The request for information and the responses from the bidders was provided as [Exhibit D](#). Page 3 of that exhibit showed a table incorporating the new itemization of costs. The table on page 4 showed the estimated number of hours required to perform sections 1 through 4 of the scope of work, the total number of hours, and the cost per hour.

Senator Horsford noted there was still information missing from the spreadsheet on itemization of costs. In particular, the Center for Tax and Budget Accountability was missing information for section 2, and John P. Johns, CPA, was missing information for sections 3 and 4.

Mr. Guindon said the table reflected the information provided to staff in the responses from the bidders. He did not know why that detail was not provided. Given the time available, staff did not attempt to contact the bidders a second time to ask for more detail. He noted that itemization of the bid from Bill Robinson was also missing information.

Senator Schneider joined the meeting at 9:18 a.m.

Chairman Raggio said at its October 5, 2009, meeting, the Working Group anticipated that with the additional information on itemized costs, the proposals would be reviewed in an effort to work toward recommendations to be presented to the IFC Subcommittee for its consideration. He asked Working Group members to comment on the strengths and weaknesses of the bids in meeting the requirements of the RFP.

Assemblyman Anderson complimented staff for gathering the information and preparing the spreadsheet under a short timeframe. He asked Chairman Raggio whether he would prefer a single recommendation, or a ranked list.

Chairman Raggio commented that none of the bidders would be eliminated from consideration by the Working Group, because the IFC Subcommittee and the IFC would ultimately make that decision. He asked Senator Horsford for his opinion as chairman of the IFC Subcommittee as to whether a single recommendation or a ranked list was preferred.

Senator Horsford suggested that the Working Group members rank the top three or four consultants, and invite the Working Group's top two or three preferred consultants to present their proposals to the IFC Subcommittee at its meeting at the end of October. He appreciated the efforts of Chairman Raggio and the Working Group members in reviewing the proposals and contacting references.

Chairman Raggio said, if there was no objection, he asked each member of the Working Group to list the top three bidders by priority. He requested staff to tally the votes.

Assemblyman Stewart said his preference in priority order was Moody's Analytics, The Nevada Consultants, Incorporated, and Willdan Financial Services. He explained that Moody's Corporation was a worldwide organization with reasonable fees and broad experience, including experience working in California and Arizona, which were somewhat similar to Nevada. Willdan Financial Services' bid amount was reasonable, the firm had regional offices, and the company had worked with the cities of Reno and Sparks. The Nevada Consultants, Incorporated had local experience and a long history in Nevada.

Chairman Raggio said it was his understanding that although an amount up to \$500,000 was approved by the Board of Examiners, the IFC could exceed that amount if necessary. Brenda Erdoes, Legislative Counsel, Legislative Counsel Bureau, replied that was correct. The statute states that the IFC was not bound by a recommendation made by the Board of Examiners. She read that to mean that the IFC may recommend more, less, or the same amount. She added, for the record, that had been a consistent practice for as many years as she had been with the Legislative Counsel Bureau. She confirmed for Chairman Raggio that the request would be made from the Contingency Fund.

Assemblywoman Kirkpatrick said her first choice was Moody's Analytics. She had the opportunity to view some of the previous work Moody's Analytics had done for other states, including western states. Moody's Analytics' project for the state of Virginia was completed within its budget and timeline projections. Their references were outstanding. Her second choice was Willdan Financial Services because she liked the overall plan. However, she was concerned because some of Willdan Financial Services' references were retired or unavailable to comment. Nevertheless, a presentation of Willdan Financial Services' proposal would be welcome. Her third choice was the Center for Regional Studies, UNR because the visioning process portion of the response was very good. She was concerned about the price.

Senator Schneider preferred Moody's Analytics because it was an international company and had done lots of work with the state. He liked the proposal from Willdan Financial Services. He also liked the Center for Tax and Budget Accountability proposal, although it did not address the request for itemization in section 2. He was concerned that the bid amounts varied drastically. The Center for Regional Studies, UNR could be an asset to the effort, but the bid amount was twice the others. It was a public institution that could use the assistance of graduate students, and he did not understand why the bid amount was so high. He ranked the Center for Tax and Budget Accountability and the Center for Regional Studies, UNR as a tie for third.

Senator Horsford was very pleased overall with the responses received. A number of the responses were from credible companies with experience and an understanding of what was requested in the RFP. Some of the responses did a better job of capturing the intent of SCR 37. Others stated qualifications without including a plan of action. He recommended Moody's Analytics, Willdan Financial Services, and the Center for Regional Studies, UNR in that order.

Senator Horsford explained that Moody's Corporation had national credibility, and the modeling and analysis portion of its proposal was superior. Moody's Analytics could provide many different revenue scenarios. He was pleased by the timeline, and the price for the study was remarkable. He said the prior clients of Willdan Financial Services were smaller, and mostly local government. However, he thought Willdan Financial Services had an understanding of what the study attempted to do, and would be able to meet the intent. The Center for Regional Studies' visioning portion of the proposal was the strongest because its staff had expertise in specific subject areas that would be a great asset in creating a strategic plan for the state.

Senator Parks found that Moody's Analytics proposal was far and above the others. He also liked much of what Willdan Financial Services offered in its proposal, but it was not as strong, so he ranked them second. His third choice was the Center for Regional Studies, UNR for its work in the visioning area.

Assemblyman Settelmeyer evaluated the proposals considering the effect the study would have on the state of Nevada in the future. He looked for companies that had familiarity with the state, among other factors, such as the scope of the company, whether the company had the tools necessary to accomplish the goal, the company's references, credibility in the field, and willingness to adhere to the deadlines put forward

in the RFP. The cost-benefit analysis was also considered, and in that respect Moody's Analytics was ranked first, The Nevada Consultants, Incorporated was ranked second and Willdan Financial Services was ranked third.

Assembly Anderson said he found it difficult to make a decision based solely on the written information, and hoped the recommendations made by the Working Group did not limit the choices of the IFC Subcommittee before oral presentations were heard. He also selected Moody's Analytics as his first choice. However, his estimation declined when he read the time study information. He hoped the consultant that was selected truly understood the unique nature of the diversity of the state. Economic and Planning Systems was his second choice because he was impressed by the diversity of the studies they had done in California. Willdan Financial Services and the Center for Regional Studies, UNR tied for third.

Chairman Raggio said he was somewhat disappointed that proposals were not submitted by all of the groups that were asked to respond to the RFP. Among those were entities that bid on the study conducted in the 1980s by Price Waterhouse and the Urban Institute.

Chairman Raggio agreed with Senator Horsford's comments that some very good proposals were submitted. He observed that the tax study had not even been initiated, but was already getting its share of criticism from those who thought the topic of revenue should not be studied, or that it has been studied too much. There were lots of tax studies, but a number of them lacked credibility. That was not because they were bad studies, but there was a perception of bias due to either the group that performed the study, or the source of funding. That was one of the reasons he endorse a study such as this, particularly at a time when the economies of the state, the United States, and countries across the world were in a serious downturn. He said the analysis of the revenue structure was timely. In addition, the quality-of-life portion of the study would identify at all levels of governance essential services that were not being funded.

Chairman Raggio said that the critics would never be silent, but the study ought to have an imprimatur of the highest level of credibility. For example, the proposal from the Center for Regional Studies, UNR was an outstanding presentation. Unfortunately, the cost was prohibitive at this point in time. A secondary problem was that it would be perceived by many that since the Center for Regional Studies, UNR was funded largely through the state's revenue system, the study could be self-serving. Chairman Raggio did not share that perception, but if the study was going to have credibility, there should be no suggestion of that type.

Chairman Raggio said his first priority was Moody's Analytics. The proposal was well written and met all the criteria of the RFP. He said the company had the type of credibility that would be difficult to argue with. The proposal, timeline and commitment that was made on the revenue structure study as well as the quality-of-life issue warranted it being ranked first. The Center for Tax and Budget Accountability was his second choice. The organization was superior and submitted a full proposal meeting all of the criteria. He did not fault them for the omissions in section 2 because the proposal provided details otherwise. The Center for Tax and Budget Accountability had a great

resume and well defined methods, goals and presentation of the work plan and timeline. His third choice was between Economic and Planning Systems, Inc. and Willdan Financial Services. If he must rank one over the other, then Economic and Planning Systems, Inc. would be his third priority. That was not to say the rest of the proposals were not worthy of consideration, but those were his top three priorities.

Mr. Guindon reiterated the rankings identified by the members to confirm his notes were accurate. Moody's Analytics was the first choice of all of the Working Group members. Willdan Financial Services was the second choice of four of the members. The Center for Regional Studies was ranked third by four members. The Center for Tax and Budget Accountability was recommended once for second choice and once for third choice. The Nevada Consultants, Incorporated was recommended twice for second choice. Economic and Planning Systems, Inc., was recommended once for second choice and once for third choice.

Mr. Guindon said each member's first ranked choice would be given 3 points; the second ranked choice would be given 2 points; and the third ranked choice would be given 1 point. In the case of a tie, the points would be split.

Based on that point structure, Chairman Raggio said that the priorities of the Working Group appeared to be as follows: Moody's Analytics, 24; Willdan Financial Services 11; the Center for Regional Studies, UNR, 4; The Nevada Consultants, Incorporated, 4; the Center for Tax and Budget Accountability, 3; and Economic and Planning Systems, Inc., 3.

I. RECOMMENDATIONS TO THE INTERIM FINANCE COMMITTEE'S SUBCOMMITTEE TO CONDUCT A REVIEW OF NEVADA'S REVENUE STRUCTURE REGARDING THE RESPONSES TO REQUEST FOR PROPOSAL.

Chairman Raggio asked the Working Group members if they wished to recommend those priorities to the IFC Subcommittee.

Senator Horsford agreed with the ranking, but noted that four members recommended the Center for Regional Studies, UNR and two members recommended The Nevada Consultants, Incorporated, but both had the same overall ranking because of the point system. Because the Center for Regional Studies was prioritized at a lower rank, it received fewer points, even though a greater number of Working Group members identified it as a priority. He wondered if weight should be given to the fact that more Working Group members preferred one over the other.

Senator Raggio suggested that should be explained to the IFC Subcommittee when the recommendations are put forward for its consideration.

Mr. Guindon confirmed that Senator Horsford was correct in stating that four members selected the Center for Regional Studies, UNR and two members selected The Nevada Consultants, Incorporated. He noted that there had been a discussion about

recommending three consultants to the IFC Subcommittee. That factor could be used as a tie-breaker to allow three consultants to go forward to the IFC Subcommittee.

Assemblywoman Kirkpatrick noted there was a big difference in the two proposals that tied for third place. She asked if The Nevada Consultants, Incorporated had submitted a work plan.

Mr. Guindon said staff did not ask Nevada Consultants, Incorporated for that information based on the determination at the October, 7, 2009, meeting of the Working Group that allowing the submission of a timeline and work plan after the deadline would be considered an augmentation of the response.

Chairman Raggio asked whether the Working Group wanted to review the third ranked priority, based on the number of members who identified the bidder as a potential choice.

ASSEMBLYMAN STEWART MOVED TO RECOMMEND MOODY'S ANALYTICS, WILL DAN FINANCIAL SERVICES, THE NEVADA CONSULTANTS, INCORPORATED AND THE CENTER FOR REGIONAL STUDIES, UNR FOR CONSIDERATION BY THE INTERIM FINANCE COMMITTEE'S SUBCOMMITTEE TO CONDUCT A REVIEW OF NEVADA'S REVENUE STRUCTURE.

THE MOTION WAS SECONDED BY ASSEMBLYMAN ANDERSON.

The meeting recessed at 9:58 a.m.

The meeting reconvened at 10:12 a.m.

THE MOTION CARRIED UNANIMOUSLY.

IV. SCHEDULING OF FUTURE MEETINGS.

Mr. Guindon said he would work with Senator Horsford as Chairman to set up a meeting of the IFC Subcommittee and staff would then poll the members as to their availability. In addition, he would arrange for presentations by the four finalists to be made to the IFC Subcommittee.

V. PUBLIC COMMENT.

Mr. Knight Allen, private citizen, said he shared Senator Raggio's concern about the credibility of the study. Mr. Allen was particularly concerned if the study was conducted by the Center for Regional Studies, UNR. He said a pillar of our system of government was that a man could not be a judge in his own case. Mr. Allen was not questioning the integrity or decency of anyone at UNR. Nobody could overcome the inherent conflict of interest if asked to judge their own situation. To give a public entity \$900,000 to judge the quality of the state's revenue system would destroy the credibility of the report, justifiably.

Mr. Allen said this study would supposedly not include the special interests that dominated the previous reports on the state's tax system. He said a public entity studying the source of public revenue would be a special interest. He did not think that the Center for Regional Studies was made up of bad people; they were simply flawed like every human being. He suggested that the four recommendations be revisited and sent forward to the IFC Subcommittee without including the Center for Regional Studies.

Mr. Allen said that the parameters of the study decided by the Working Group and IFC Subcommittee made it a carbon copy of ACR 1, which was a carbon copy of the Price Waterhouse Urban Institute report. He predicted the report would include bits and pieces of the Price Waterhouse Urban Institute report, the Governor's Task Force report, and others, updated with the Nevada Vision Stakeholder Group input. He warned the Working Group that the 2011 Legislative Session would be similar to the 2003 Legislative Session. He thanked the Working Group for their time.

Ms. Suzanne Nounna, President, The Nevada Consultants, Incorporated, submitted written testimony that was made part of the record as [Exhibit E](#).

VI. ADJOURNMENT.

The meeting was adjourned at 10:25 a.m.

Respectfully submitted,

Becky Lowe, Secretary

APPROVED:

Senator William J. Raggio, Chair

Date: _____

Copies of exhibits mentioned in these minutes are on file in the Research Library of the Legislative Counsel Bureau, Carson City, Nevada. The library may be contacted at (775) 684-6827.