

**MINUTES OF THE
INTERIM FINANCE COMMITTEE'S
SUBCOMMITTEE TO REVIEW PUBLIC WORKS BOARD MATTERS
(NRS 218E.405)
April 23, 2012**

The Interim Finance Committee's Subcommittee to Review Public Works Board Matters (NRS 218E.405) held its second meeting of the 2011-12 Interim on April 23, 2012, in room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada with videoconference to room 4412E of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada.

SUBCOMMITTEE MEMBERS PRESENT IN CARSON CITY:

Assemblyman David Bobzien, Chairman
Senator Ben Kieckhefer
Assemblyman Tom Grady

SUBCOMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Senator David Parks
Assemblyman Joseph Hogan

SUBCOMMITTEE MEMBERS ABSENT:

Senator Moises Denis (excused)

STAFF MEMBERS PRESENT IN CARSON CITY:

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division
Mark Krmpotic, Senate Fiscal Analyst, Fiscal Analysis Division
Eric King, Program Analyst, Fiscal Analysis Division
Eileen O'Grady, Chief Deputy Legislative Counsel, Legal Division
Patti Sullivan, Committee Secretary, Fiscal Analysis Division

STAFF MEMBERS PRESENT IN LAS VEGAS:

None

EXHIBITS:

[Exhibit A](#) – Agenda and Meeting Packet

[Exhibit B](#) – Fire Science Academy Sale and Site Restoration Costs Handout

I. ROLL CALL.

Chairman Bobzien called the regularly scheduled meeting of the Subcommittee to Review Public Works Board Matters to order at 8:40 a.m. in Carson City. Senator Parks and Assemblyman Hogan attended in Las Vegas; Senator Kieckhefer, and Assemblyman Grady were present in Carson City. Senator Denis was absent excused.

II. PUBLIC COMMENT.

There was no public comment.

III. APPROVAL OF MINUTES OF THE AUGUST 30, 2011, MEETING.

SENATOR KIECKHEFER MOVED TO APPROVE THE MINUTES OF THE AUGUST 30, 2011, MEETING.

ASSEMBLYMAN GRADY SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

IV. CONSIDERATION OF RECOMMENDATION TO THE INTERIM FINANCE COMMITTEE ON APRIL 24, 2012, REGARDING THE REQUEST TO MODIFY THE SCOPE OF CIP PROJECT 09-C18, SOUTHERN NEVADA VETERANS' CEMETERY EXPANSION, TO ADD THE DESIGN AND CONSTRUCTION OF NEW COLUMBARIUM WALLS, DOUBLE CRYPTS, AND ADDITIONAL SITE DEVELOPMENT PURSUANT TO NRS 341.145(1)(f), AND TO INCREASE THE AUTHORITY TO RECEIVE AND EXPEND AN ADDITIONAL \$7.5 MILLION IN FEDERAL FUNDS FOR THE PROJECT PURSUANT TO NRS 341.121.

Gus Nunez, Administrator, State Public Works Division (SPWD), provided an overview of the project (page 17, [Exhibit A](#)) and stated that the SPWD requested authorization to receive and spend additional federal funds that became available for the expansion of the Southern Nevada Veterans' Memorial Cemetery.

Assemblyman Grady said that he understood that the project involved federal funds. He asked whether a match of state funds was required. Mr. Nunez answered that the request strictly involved federal funds.

Senator Kieckhefer asked if the SPWD had received the full award of \$7.5 million from the federal government.

Mr. Nunez explained that the current award was for \$6.7 million; however, additional federal funds were anticipated to be available as projects ended in other states.

Senator Kieckhefer asked what would happen if the full amount of \$7.5 million was not awarded.

Mr. Nunez explained that the SPWD would only spend the amount of funds that were assured by the federal government. He said the base bid for the project would be \$6.7 million, with optional alternates for the remaining \$800,000, if and when awarded. He said this would allow for a more competitive bid process, and would prevent the need for a negotiated amount involving change orders at a later date.

Chairman Bobzien explained the options that the Subcommittee could recommend to the IFC. The first option was to authorize \$6.7 million, requiring the SPWD to request the additional funds at a future meeting. The second option was to authorize the full amount of \$7.5 million, which would put the SPWD in a more competitive position when soliciting bids.

Mr. Nunez agreed with Chairman Bobzien that it would be better from a competitive standpoint to be awarded the full amount immediately, rather than in stages. He added that the SPWD would provide an update on the funding at a future IFC meeting.

Chris Chimits, Deputy Administrator, State Public Works Division, stated that the additional federal funds may not become available until June or July 2012, which would not allow sufficient time to request IFC approval to receive and expend the funds.

Chairman Bobzien asked Fiscal staff to comment on the Subcommittee's options.

Eric King, Program Analyst, Fiscal Analysis Division, stated that, typically, Capital Improvement Projects (CIP) are not approved without assurance of funds. He went on to explain that in this case there appeared to be some assurances. He indicated that staff would recommend approving the full amount upon the condition that the SPWD report on the actual award at a future IFC meeting.

Senator Parks asked if the recently built columbarium wall addition would be removed. Mr. Chimits replied that the work would involve expansion of the cemetery and would not interfere with any work done previously.

Mr. Nunez clarified that the current Administration building would eventually be demolished. He added that the old building would not be destroyed until the new building was complete and operational. Mr. Nunez explained that the Veterans' Administration received authorization at a previous IFC meeting to construct a new building rather than remodel the old building.

Senator Parks noted that the current building was constructed only 10-12 years ago.

Senator Kieckhefer asked which items would be held back for add ons.

Mr. Chimits indicated the expansion of the columbarium walls and the crypts could be done in segments. The base bid was originally structured below \$6.7 million in the design document to allow for the capacity to successfully award a contract. Alternates, which may include additional columbarium walls and/or crypts, would be added depending on the amount of federal funds received over the amount of \$6.7 million. Further, the work would occur in a change order format, even though it had been bid as an alternate; the number would already have been identified and made public, allowing the change order to be negotiated competitively.

Chairman Bobzien asked if the project was structured so that each additional increment of funds would result in additional increments of capacity.

Mr. Chimits confirmed that additional fund increments would result in additional increments of capacity.

SENATOR KIECKHEFER MOVED TO APPROVE THE FULL \$7.5 MILLION AUTHORITY FOR THE PROJECT WITH THE UNDERSTANDING THAT THE STATE PUBLIC WORKS DIVISION WOULD SOLICIT BIDS AS DISCUSSED AND PROVIDE AN UPDATED REPORT AT A FUTURE INTERIM FINANCE COMMITTEE MEETING.

ASSEMBLYMAN GRADY SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

V. CONSIDERATION OF RECOMMENDATION TO THE INTERIM FINANCE COMMITTEE ON APRIL 24, 2012, REGARDING THE REQUEST TO MODIFY THE SCOPE OF CIP PROJECT 09-C13, FIELD MAINTENANCE SHOP FACILITY AT THE LAS VEGAS READINESS CENTER, TO ADD A VEHICLE WASH RACK, SHADE SHELTERS, AND PHOTOVOLTAIC SYSTEMS PURSUANT TO NRS 341.145(1)(f) AND TO INCREASE THE AUTHORITY TO RECEIVE AND EXPEND AN ADDITIONAL \$3,528,528 IN FEDERAL FUNDS FOR THE PROJECT PURSUANT TO NRS 341.121.

Mr. Nunez said that the SPWD requested authorization to receive and spend additional federal funds available from the National Guard Bureau for the Field Maintenance Shop Facilities (FMS) in Las Vegas. He explained that the funds would be used for additional site work.

Chairman Bobzien asked why the SPWD was requesting to raise the level of authority after having previously reduced it. Additionally, he requested a more detailed explanation of the additional improvements.

Mr. Chimits stated that the SPWD had recently received the Guaranteed Maximum Price (GMP) from the Construction Manager at Risk. The Construction Manager

disclosed his schedule of values to the National Guard Bureau. The schedule was then sent to Washington D.C. for review. Based on that information, the National Guard Bureau was willing to allocate an additional \$1.1 million of federal money towards certain line items in the Construction Manager's bid. Mr. Chimits went on to explain that this information was not available when the project was originally brought before the Subcommittee. He stated that the federal government wanted to allocate \$3.5 million to Nevada, which included \$1.1 million toward the bid line items, \$400,000 to design and construct a vehicle wash rack, and \$1.5 million for covered military vehicle parking and photovoltaic collectors for the top of the parking structures. He said that the remaining \$500,000 would be used for unexpected costs during the construction process or additional requests from the National Guard Bureau.

Senator Kieckhefer noted that the full scope of the project was previously reduced by \$900,000. He asked if that was due to bids coming in lower than anticipated.

Mr. Chimits confirmed that the construction document estimates came in lower than anticipated. He noted that the SPWD believed that reducing the amount would make the money available for other 2009 CIP projects.

Mr. Nunez added that the SPWD reduced the state expenditure portion of the project from \$2.9 million to approximately \$2 million. He stated that accepting the additional federal funds would not increase the state portion of the project. He explained that, by reducing the state authority on some projects, the SPWD was able to redirect state funding authority in building the 2011 CIP.

Senator Kieckhefer asked if the SPWD would submit a change order and request authority to spend the unallocated \$500,000 at a future meeting of the Subcommittee.

Mr. Nunez explained that any funding that was not already allocated to one of the line items would remain as a contingency. The contingency would allow for potential change order work that may require state funding. Mr. Nunez used off site work as an example of change order work that would require state funding. He added that the FMS was 100 percent federally funded for the building and the on sites, with the exception of SPWD fees.

Chairman Bobzien asked the SPWD to clarify if the \$500,000 was for contingency or additions to the project. He also asked for a more thorough explanation regarding the use of the additional \$1.1 million.

Mr. Chimits explained that the request was similar to the previous agenda item. He stated that the federal government was willing to grant up to \$3.5 million. Mr. Chimits further explained that the SPWD had a designated use for \$3 million; however, the remaining \$500,000 did not have a defined use.

Senator Kieckhefer inquired whether the National Guard Bureau was the deciding authority on how the money would be spent. Mr. Chimits confirmed that the National Guard Bureau had the deciding authority.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, pointed out the difference between this project and the previous mentioned one. Mr. Combs stated that the previous project included a bid alternate. Additionally, he noted that the SPWD knew how the money would be spent, if and when it was received. He said that the important distinction in this particular case was that there was not a plan for the expenditure of the money. He said that unless removal of \$519,000 would place the contingency at a lower amount than normal for a project of this size, Fiscal staff would recommend only approving the acceptance of the money that is actually planned for use. With respect to the remaining funds, the SPWD should request IFC approval to receive and expend the funds once a plan is developed for use.

Mr. Chimits explained that, generally, with additional money or with the potential for larger scope, the size of the contingency would increase. He said that this was the reason that the SPWD was asking for authority to receive and spend up to \$3.5 million with only \$3 million accounted for. Mr. Chimits said that it would allow an increased contingency to proceed with a larger scoped project.

Senator Kieckhefer asked how much the contingency would increase if the scope of the project was increased by the amount actually budgeted for expenditure.

Mr. Chimits said that the increase could vary, but would be close to 10 percent. He explained that it would involve a change in the percentage split between federal and state funding. The state money decreased by \$900,000, but the federal money was proposed to increase by \$3.5 million.

Chairman Bobzien commented that there did not appear to be a compelling reason for the Subcommittee to recommend approval of the full amount at today's meeting, based on the fact that there was not a planned use for the \$500,000.

Mr. Nunez said that if the construction contingency were to remain at 5 percent, there would be a slight reduction in funding. The contingency for the current project was \$1.1 million, but a 5 percent contingency would reduce the amount to approximately \$850,000 based on his estimate.

Chairman Bobzien explained that it would be preferable if there was a concrete plan for the money before the Subcommittee authorized approval. He further explained that although the Subcommittee did not meet often, a meeting could be scheduled if a need arose.

Mr. Combs commented that on the latest project budget sheet the contingency was approximately \$1.1 million and the construction contract amount was \$21.9 million, which meant that the contingency was already less than 5 percent. Mr. Combs remarked that the SPWD should communicate to the Subcommittee if it thought that the contingency would not be sufficient without the \$500,000.

Mr. Nunez said that according to NRS, the change order authority was up to 15 percent. He indicated that 5 percent contingency would be adequate for the project, because it was for new construction instead of a remodel.

Senator Kieckhefer asked what the contingency level was at the beginning of the project. Mr. Chimits replied that federal projects allowed for 5 percent contingency.

Senator Kieckhefer asked if the contingency had been spent down during the design and build process. Mr. Chimits responded that the contingency had been spent down during the course of the project.

Mr. Nunez said that the original contingency approved by the Legislature was \$1.6 million. He commented that the contingency percentage could be lowered as the project was completed and fully designed.

Mr. Combs said that the original contingency was approximately 9 percent, but with the revised project scope, the contingency would be approximately 4.8 percent. He said, based on his understanding, the SPWD believed that 4.8 percent contingency was reasonable for the current stage of the process.

Senator Kieckhefer asked what affect the \$519,000 would have on the contingency level. Mr. Combs said that he believed the \$519,000 was reflected on the latest project cost sheet, and included as part of the revised contingency amount.

In response to a question from Senator Parks regarding the extensiveness of the vehicle wash rack, Mr. Chimits explained that military vehicles are of a much larger scale than regular vehicles, thereby requiring a significant-sized concrete wash rack. The rack would also include interceptors so that diesel, oil and grease could be captured and disposed of properly.

In answer to a question from Senator Parks, Mr. Chimits said that the wash racks would have power and water, but it would not be a covered structure.

SENATOR KIECKHEFER MOVED TO APPROVE THE FULL REQUEST AS OUTLINED WITH THE UNDERSTANDING THAT THE STATE PUBLIC WORKS DIVISION WOULD PROVIDE AN UPDATED REPORT AT A FUTURE INTERIM FINANCE COMMITTEE MEETING.

ASSEMBLYMAN GRADY SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

VI. CONSIDERATION OF RECOMMENDATION TO THE INTERIM FINANCE COMMITTEE ON APRIL 24, 2012, REGARDING THE REQUEST TO MODIFY THE SCOPE OF CIP PROJECT 09-M05, SEDIMENTATION REMEDIATION FOR THE MARLETTE LAKE WATER SYSTEM, PURSUANT TO NRS 341.145(1)(f) TO CONSTRUCT A WATER STORAGE TANK EMERGENCY OVERFLOW PIPE TO ELIMINATE WATER DISCHARGES.

Mr. Nunez said that the project was originally approved to handle sedimentation issues related to occasional overflow from the Marlette Lake Water System Lakeview Storage Tank. He explained that a property owner had filed a lawsuit; however, the state and property owner subsequently reached a settlement agreement. A scope was developed to deal specifically with the overflow issue. It was decided that by diverting the water to a different channel, the situation would be controlled and potential risk would be avoided. The overflow would be diverted into the Carson City water line as opposed to the McEwan Creek Drainage Basin. Mr. Nunez noted that, in the event of an overflow, Carson City would receive water from the Marlette Lake Water System at no cost, because the pipe that would control the overflow would bypass the meter. He said that there had been discussion about directing the overflow into a different drainage basin; however, that caused concern with the Nevada Department of Environmental Protection (NDEP). Mr. Nunez said that Carson City offered to receive the overflow. He explained that an additional flow control was installed on the tank that triggers an alarm monitored around the clock by two operators. Mr. Nunez noted that an operator was always on standby, because Marlette Lake Water System was the only source of water for Storey County and Virginia City, and it provided a portion of the water for Carson City. The operators are able to handle an overflow situation at any time using their cell phones.

Chairman Bobzien recalled that the original approach had been to mitigate the velocity of the overflow and redistribute it to reduce the sedimentation problem. He asked why the plan to divert the water elsewhere was not included in the original scope.

Mr. Nunez replied that the project originated as a request from the Buildings and Grounds Division regarding sedimentation issues. The impact of the overflow on the McEwan Creek Drainage Basin was very minimal; less than 1 percent of the total impact. Mr. Nunez said that, after reviewing various alternatives and assessing future risks to the state, it was decided that it would be best to avoid overflow to the McEwan Creek Drainage Basin altogether.

Chairman Bobzien asked why the architectural and engineering service fees were 43 percent.

Mr. Nunez replied that the percentage for architectural and engineering fees was due to the fact that the project had to be designed three times. He explained that the original project to mitigate sedimentation at McEwan Creek Drainage Basin was designed by an outside consultant. That design was discarded after an agreement was reached concerning the lawsuit. A second design was then created by SPWD staff to divert the overflow to a different basin. Due to the concerns raised by the NDEP, SPWD staff had

to make revisions which resulted in the third design to pipe the overflow to the Carson City water line.

Assemblyman Grady asked if the agreement would affect the water for any of the people neighboring McEwan Creek. Mr. Nunez replied that the people in the McEwan Creek area were not entitled to any water from the Marlette Lake Water System.

In response to a question from Assemblyman Grady, Mr. Nunez said that the agreement had been signed and the solution to divert the overflow was part of the negotiated settlement.

Chairman Bobzien clarified that Assemblyman Grady's question concerning the agreement pertained to the McEwan Creek community-at-large; whereas, Mr. Nunez' response pertained only to the property owner involved in the lawsuit. He noted that although the issue did not involve certificated water rights, there would be less water in McEwan Creek than there had been historically. Chairman Bobzien asked if residents of the area understood that the water would not be there any longer.

Mr. Nunez replied that there had not been an overflow to the McEwan Creek Drainage Basin since the new controls were installed approximately three years ago. The new diversion would prevent any water from depositing into McEwan Creek from the Marlette Lake Water System.

In response to a question from Senator Kieckhefer, Mr. Nunez replied that the Marlette Lake Water System provided water to Storey County and Carson City. He commented that the overflow would not affect how much water would be delivered to Storey County. Mr. Nunez also noted that Storey County used approximately 10 percent of the water from the Marlette Lake Water System, and Carson City used the remaining 90 percent.

Senator Kieckhefer asked if the construction was expected to deplete the remaining funds, or if the SPWD would refund a portion of the money. Mr. Nunez replied that construction cost savings would be less than \$200,000 and the remaining funds would be reverted back to the state.

SENATOR KIECKHEFER MOVED TO APPROVE THE FULL
REQUEST AS OUTLINED.

ASSEMBLYMAN GRADY SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

VII. INFORMATION REGARDING CIP PROJECT 09-C15, NEW ELKO COUNTY READINESS CENTER, INCLUDING: (a) THE STATUS OF THE PROJECT'S DESIGN AND CONSTRUCTION, (b) THE RECEIPT OF THE FEDERAL FUNDING APPROVED FOR THE PROJECT, AND, (c) THE SCOPE AND COST OF THE ENVIRONMENTAL REMEDIATION AND SITE RECLAMATION NECESSARY BECAUSE OF THE CLOSURE OF THE NEVADA SYSTEM OF HIGHER EDUCATION'S CARLIN FIRE SCIENCE ACADEMY.

Mr. Chimits provided an update on the status of the project, as well as receipt of federal funding concerning the project. He said that the design was complete, and a Guaranteed Maximum Price (GMP) was received from the Construction Manager at Risk, Q&D Construction in Reno, Nevada. The SPWD was preparing to present the contract to the Board of Examiners and then move forward with construction. Construction was expected to begin in Spring 2012 with an estimated time-frame of ten months to completion. Turning to the receipt of federal funds, Mr. Chimits said that the funds were expected to arrive in late June, 2012.

Lt. Colonel Clayton Chappell, Construction & Facilities Manager Officer, Nevada Army National Guard, confirmed that the funds were anticipated to arrive by the end of the state fiscal year.

Ron Zurek, Vice President of Administration & Finance, University of Nevada, Reno (UNR) provided an overview of the scope and cost of the environmental remediation and site reclamation. He said that the plan to restore the Fire Science Academy (FSA) site had been updated on March 6, 2012, with an estimated cost of \$3.5 million. A decision was made to sell the site to the Nevada Army National Guard; therefore, the plan was abandoned. Continuing, Mr. Zurek said that as a result of the sale, the requirements had changed increasing the cost to \$4.1 million. The information that was developed was distributed to the NDEP, Nevada Division of State Lands, and the Nevada National Guard. Mr. Zurek provided the Subcommittee with a copy of the report ([Exhibit B](#)).

Assemblyman Grady asked if the cost of the restoration plan would be taken out of the \$10 million sales price. Mr. Zurek replied that the restoration plan cost of \$4.1 million would not be taken out of the sales price. He said that UNR had a multi-component plan for the reduction of the capital debt, which included the sale of the FSA property, money from the sale of the Mill and McCarran property, and some excess student fees that the IFC approved to be used for capital reduction. Mr. Zurek said that the \$4.1 million for the restoration plan was in addition to the funds being used to reduce the capital debt.

In response to a question from Assemblyman Grady, Mr. Zurek said that the Board of Regents approved the use of a portion of the proceeds from the Mill and McCarran property sale toward the restoration plan.

Assemblyman Grady asked how UNR students would be impacted financially. Mr. Zurek replied that the per student credit hour fee dedicated to the FSA would be

\$6.50, decreasing to \$2.40 after the debt reduction plan. He further explained that the reduction represented additional bonding capacity for student-related capital projects. Mr. Zurek said that the university was working with students on projects of interest to both the students and staff.

Senator Kieckhefer asked how long it would take to pay down the existing debt with the reduced student fees of \$2.40. Mr. Zurek responded that the goal was to pay down the remaining debt of \$6.5 million as soon as possible. He explained that the Flood Control project and the Regional Transit Authority's SouthEast Connector project would assist in reducing the debt. Mr. Zurek said that reducing the capital debt as quickly as possible was a high priority for Mark Johnson, UNR President.

Addressing a question from Chairman Bobzien, Mr. Zurek said that the plan had been submitted and the project was moving forward. He explained that the project did not require approval, but items of interest would be reported.

Chairman Bobzien noted that the cost of the plan could increase. He asked how that type of situation would be handled. Mr. Zurek replied that it would require looking to institutional resources.

VIII. CONSIDERATION OF RECOMMENDATION TO THE INTERIM FINANCE COMMITTEE ON APRIL 24, 2012, REGARDING THE CIP PROJECT EXCEPTION REPORT PURSUANT TO NRS 341.100(8)(g).

Assemblyman Grady requested an update concerning the Advance Planning-Army National Guard Aviation Support Facility in Elko, Nevada.

Mr. Chimits replied that the project was in the design stage. The SPWD was in the process of completing the federal requirements for the project's design.

ASSEMBLYMAN GRADY MOVED TO RECOMMEND ACCEPTANCE
OF THE REPORT TO THE INTERIM FINANCE COMMITTEE.

SENATOR KIECKHEFER SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

IX. PUBLIC COMMENT.

There was no public comment.

X. ADJOURNMENT.

Chairman Bobzien adjourned the meeting at 9:42 a.m.

Respectfully submitted,

Carla Ulrych, Transcribing Secretary

APPROVED:

Assemblyman David Bobzien, Chairman

Date: _____

Copies of exhibits mentioned in these minutes are on file in the Fiscal Analysis Division at the Legislative Counsel Bureau, Carson City, Nevada. The division may be contacted at (775) 684-6821.

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