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JOINT MEETING - SENATE COMMITTEE ON FEDERAL STATE AND LOCAL GOVERNMENTS AND ASSEMBLY COMMITTEE ON GOVERNMENT AFFAIRS - SENATE FINANCE COMMITTEE ROOM - JANUARY 27, 1969. 55TH LEGISLATIVE SESSION.

Present: Senate Committee Chairman Gibson, Monroe, Bunker, White, Farr, Hecht and Dodge.

Assembly Committee Chairman Hal Smith, Lingenfelter, Getto, Branch, Hilbrecht, Dini and Mello.

Chairman Gibson convened the meeting shortly after 9:00 a.m. declaring that the purpose of meeting was primarily concern with a report submitted to the Legislative Commission by the State Employees Retirement Board and employees of the City of North Las Vegas on extending time on payments due on bonds in an agreement between those entities. On January 21 this matter was brought to the attention of the Legislative Commission on a report from the legislative auditor. The Commission was requested not to take action and allow the standing committees of the legislature to look into the matter inasmuch as a bill was being requested. The bill requested is SB 26 which would make it legal for the Retirement Board to negotiate with a local government debtor to defer payment of interest or principal upon any of its securities held by the Board upon such terms as the Board may find just to the debtor and conducive to the ultimate discharge of the obligation. The purpose of this meeting is to try to get the committees informed on the status of the agreement between the Board and the City of North Las Vegas and to find out the programs the City has developed for correcting the delayed payments. A report from the Tax Commission has been requested on the status of finances especially as regards possible obligations to the ad valorem tax. If the legislature could not deem it wise to pass the legislation requested the delayed payments could become an obligation to the ad valorem tax.

Mr. Roy Nickson, Secretary of the Nevada Tax Commission, issued a report which was a run-down of the finances of the City at the present. This was requested not as "old hash" but to find out what the impact of the worst eventuality might be. As a result of what appeared to be the picture the delegation requested a bill be prepared which would impose a moratorium until the status is determined and what is needed is known. Maybe the situation is not as serious as it seemed to be. The appropriate authorities from the City of North Las Vegas have been requested to be here; also representatives of the Public Employees Retirement Board and the Legislative Counsel representative (Mr. Frank Daykin, Chief Deputy).

Chairman Gibson read to the Committees, in total, a letter from Attorney General Harvey Dickerson dated January 22 addressed to Kenneth Buck, Executive Secretary of the Public Employees Retirement System stating in effect that his office could not consent to a continuance but recognizing that a curative measure was being brought before the legislature. It is recognized that we are faced with the need for some action or the effects on the financial affairs of Clark County could be disastrous. An opinion of the Legislative Counsel Bureau advises that the City of North Las Vegas was without authority to contract for an extension of its bond payments and to agree to pay interest upon the amount extended. They also advise that the retirement board likewise is without

authority to enter into the agreement. To place this opinion in perspective it must be recognized that the Legislative Counsel is the legal advisor of the legislature. Chairman Gibson asked for comments.

Assembly Chairman Smith stated that he felt Gibson's summary adequately covered the matter.

Senator White indicated that he had a letter from the North Las Vegas Chamber of Commerce expressing their interest in the hearing. Introduced were Mr. Chapp, president-elect of the Chamber, Mr. Carlton Hall, Treasurer and Mr. Gene Eccles, Managing Director. A resolution from the Chamber was presented to the Committees for their consideration.

Chairman Gibson stated that he was advised that the Mayor of North Las Vegas, Mr. Taylor, would be delayed and asked that in his absence Mr. Clay Lynch, City Manager of North Las Vegas, be introduced for his presentation.

Also introduced were the North Las Vegas City Treasurer and City Councilman Clelland. It was noted that the resolution submitted by the North Las Vegas Chamber of Commerce calls for a complete and impartial audit of the City's fiscal affairs at the present time to be in order for proper determination of the true picture of the assessment districts with regard to acquisitions or improvements developed since the initial creation of them. This resolution is dated January 25, 1969.

At this point, Chairman Gibson asked that Mr. Ken Buck of the State Retirement Board make any comments he might have.

Mr. Buck stated that in February, 1968 Mr. Lynch appeared before the Board to advise that payments could not be met. He said that the Board felt certain that with the backing of general obligation bonds these payments could be made and an extension of one year was granted. He said that it was not felt that placing this indebtedness on the tax rolls would create unnecessary difficulty for the subdivisions and reflection on the reputation of the City. He stated that North Las Vegas has appeared again requesting an extension for another year. The Board, he said, approved this subject to the approval of the Attorney General who has since advised that this legislature will determine whether the extension can be granted. It seems that the City of North Las Vegas has taken action and has tried to remedy the situation.

It was stated that the average rate of interest on funds invested by the City of North Las Vegas presently is 4.87% but at the time the bonds were required the expected rate of return was 3.5%.

Mr. Clay Lynch opened his presentation by expressing appreciation to the Committees for picking up this problem so early in the session. He stated that in March, 1967 the property owners of the assessment district concerned failed to meet the payments due and that the City promptly filed suit in the courts. When it appeared that the Court action would take a long time the City went to investment advisors. He called attention to "Exhibit E", a file of advisements received

from the firm of O'Melveny & Myers, Los Angeles, California expressing their opinion that the ability of the City of North Las Vegas to obtain through contract an extension of time in which the City is required to make payments on matured bonds and interest coupons held by the Public Employees' Retirement Board, and the Board's ability to grant such an extension could be legally supported. He stated that the agreements entered into by the two entities (the City and the Board) were accomplished prior to the time the City was in default (March, 1968).

The City's legal staff was advised by the District Court that the District Attorney should process and that it would be necessary for the City to appeal that decision to the Supreme Court. On appeal to the Supreme Court it was held that under the City Charter the City could handle the court action. In the meantime, the property owners of Improvement District No. 30 (the assessment district concerned) failed to make their second annual payment and it was necessary to file a second amended complaint stating that two payments were in default. The City of North Las Vegas relied upon the advisement from O'Melveny & Myers to the effect that an agreement for an extension could be supported between the City and the Public Employees' Retirement Board contrary to the opinion of Mr. Frank Daykin of the Legislative Counsel to the contrary. The first three pages of Exhibit "E" contain a letter dated January 23, 1969 holding that the agreement for extension could be legally supported.

Mr. Ken Buck asked the bill drafters to draw SB 26 as a clarification measure in support of the extension agreements entered into.

Mr. Lynch stated that the first paragraph of SB 26 may need to be revised and that he believed it could be reworded to accomplish the aims of all parties concerned.

Mr. Lynch then called attention to Exhibit "K", a letter from the firm of Municipal Financial Consultants "Burrows, Smith and Company". This letter gets to the crux of the matter by presenting a draft of an act in summary which amends the Consolidated Local Improvements Law, the County Improvements Law and the charters of Sparks, Henderson and North Las Vegas to clarify special assessment proceedings. The draft was prepared by Dawson, Nagel, Sherman and Howard. It would have the effect of streamlining the procedure of collection for all cities in cases of default. It would amend Chapter 271 of NRS by adding Sections 15 to 33 inclusive. The City of North Las Vegas is not alone in this problem. Washoe County has the Horizon Hill District, for example, and Carson City has its Industrial Park.

Mr. Lynch next invited attention of the committees to Exhibits "G" and "H" both of which are appraisals of the value of Nellis Industrial Park, Unit I (Improvement District No. 30 above referred) which stand as security for the Public Employees' Retirement Board. Additional security emanates from the Sale of Land to Pardee Phillips as indicated on Exhibit "I". The City of North Las Vegas holds the Notes Receivable from this sale the proceeds of which are not committed and can be directed to this indebtedness by the City Council. The City has done everything possible to avoid this

indebtedness being placed on the ad valorem tax list. It was pointed out that the City of Las Vegas will be obligated for \$750,000 in 1969-70 to take care of these assessment district bond payments to the Public Employees' Retirement Board.

It was determined that the Board would not have a first priority claim on the general obligation funds of the City. The claim would be co-equal.

Mayor Taylor, together with Certified Public Accountant Kenneth Hall, arrived at the hearings from North Las Vegas.

An Auditors' Report with Financial Statements of the City of North Las Vegas, Nevada as of June 30, 1968 prepared by Bingham, Hulse, Andrus and Associates was presented to the Committees for their consideration as Exhibit "L".

Chairman Gibson asked Mr. Lynch to outline what led to the circumstances wherein the assessment district investors were in default to the City. Mr. Lynch outlined the interest of the prime investor, Mrs. Tessie Somers, in the development of the industrial park for the purpose of attracting warehousing groups to the area. She had land values in excess of those needed and she had prime customers to move into the area. The project was initiated and developed until it hit the "tight money" situation which made it impossible for her to proceed. Mrs. Somers then developed cancer and she died. Her husband had no interest in the property and he sold his interest. The buyer has tried to solve the industrial park financially but to this date his efforts have not been successful. The attorneys have been successful in delaying the City's action.

Chairman Gibson asked Mr. Lynch how the \$750,000 indebtedness would be obtained by the City. He answered by saying that the law is general enough that the courts could make any order they wish. The bonds are special assessment district bonds. They are not general obligation funds.

Chairman Gibson indicated that Mr. Frank Daykin had prepared an opinion in writing representing the Legislative Counsel and that copies could be obtained by the Committees. Senator White and Assemblyman Hilbrecht questioned the appraisal reports contained in Exhibits "G" and "H" with relation to value prior to the project and subsequent land improvements.

It was developed that there are presently several parties interested in the continued development of this industrial park awaiting a determination of the court actions and title picture. They stand ready to invest when the matter has been consummated.

Assemblyman Branch questioned some discrepancies between the City financial reports submitted for consideration and Mr. Lynch indicated that the reports reflected a June 30, 1968 position and a January 1, 1969 position accounting for the differences.

Mayor Taylor made a brief presentation indicating that he was pleased that the legislature was acting on the matter and that he had authorized Mr. Lynch to remain available on the hearings as long as necessary. He stated that all of the City of North

Las Vegas' assessment districts were in the black with the exception of this one presently under consideration.

Chairman Gibson stated that in view of the number of Exhibits that had been presented a recess seemed in order so that the members could properly digest the information before them. He suggested that the hearing recess until 3:00 p.m. this date for that purpose.

Prior to recess Mr. Eccles of the Chamber of Commerce told the members that the Chamber had called in industrial consultants who advised that the industrial park in the assessment district is a fine one. He expressed the Chambers concern that the matter can be satisfactorily evolved. He stated that people were waiting to develop the park and indicated the unfortunate position the pending litigation has placed on development.

Chairman Gibson indicated that the committees would have to look to the statutes as they relate to this problem. He said that on the statutory problems they were obligated to go as far as they can.

The hearing recessed until 3:00 p.m.