

**BOARD OF COUNTY COMMISSIONERS
WASHOE COUNTY, NEVADA**

TUESDAY

4:00 P.M.

SEPTEMBER 17, 2013

PRESENT:

David Humke, Chairman
Bonnie Weber, Vice Chairperson
Marsha Berkbigler, Commissioner
Kitty Jung, Commissioner
Vaughn Hartung, Commissioner

Nancy Parent, County Clerk
John Slaughter, Acting Assistant County Manager
Paul Lipparelli, Legal Counsel

The Washoe County Board of Commissioners convened at 4:06 p.m. in regular session in the Commission Chambers of the Washoe County Administration Complex, 1001 East Ninth Street, Reno, Nevada. Following the Pledge of Allegiance to the flag of our Country, the Clerk called the roll and the Board conducted the following business:

The Washoe County School District (WCSD) Board of Trustees (BOT) members present were President Barbara Clark, Vice President Dave Aiazzi, Trustee Howard Rosenberg, Trustee Barbara McLaury, Trustee John Mayer, and Trustee Estela Gutierrez.

13-812 AGENDA ITEM 3 – PUBLIC COMMENT

Agenda Subject: “Public Comment. Comment heard under this item will be limited to three minutes per person and may pertain to matters both on and off the Commission agenda. The Commission will also hear public comment during individual action items, with comment limited to three minutes per person. Comments are to be made to the Commission as a whole.”

Tanja Hayes stated everyone benefited from investing in education, because today’s students would be tomorrow’s doctors, nurses, small business owners, mechanics, food inspectors, and teachers. She said she supported passing the AB 46 ordinances, which would allow the Washoe County School District (WCSD) to pay for capital improvements. She stated if the ordinances did not pass, the school maintenance money would have to come out of the operating budget, which already had been cut by harmful amounts over the last several years. She said it was time to establish a solid way to fund the maintenance of the buildings where the children spent their days learning. She said there was consensus among a diverse group of interests, which she felt made it easier for the Commissioners to vote yes on AB 46, and she believed the benefits greatly outweighed the projected cost of \$8 per month for an average family of four.

Jeanne Herman said she wanted to see the Citizen Advisory Boards (CAB's) become active again, and she felt the public lands issue was important.

Jerry Purdy spoke in favor of the Commission taking prompt action to fund the needed school repairs, because any delays put the schoolchildren's health and safety at risk. He said he and his wife were retired, on a fixed income, and had no children in the school system. He felt it was unfair to increase the sales and property taxes to finance the school repairs, while companies paid little or no taxes. He discussed all of the advantages of incorporating in Nevada, which were detailed in a handout he placed on file with the Clerk.

Katherine Snedigar stated there was no constitutional authority or statutory guidelines that allowed the Commissioners to pass AB 46. She said that meant the Commissioners would be violating the oath they took, and that Governor Sandoval perjured his oath when he signed AB 46. She said Nevada Revised Statutes (NRS) 244 stated the counties were prohibited from imposing a tax. She said this was an attempt to set a precedent because it was targeted solely at Washoe County's taxpayers. She noted no other county in the State was subject to AB 46, which was not equal protection under the law, and all Nevada taxpayers should be treated equally. She said the property taxes were already above the 3 percent cap, and she wanted to know what would be done to fix that.

Larry Chesney said the Warms Springs CAB had been shut down for two years, even though there were enough applicants to fill the CAB's seats. He stated there was some urgent business in the area to be taken care of, and he asked that the CAB be started up again.

Todd "Taxpayer" Bailey recognized the WCSB Board of Trustees (BOT) for the long lasting and significant changes they made in the last four years, which was evidenced by the increased graduation rate, but he noted there was still work to be done. He said the BOT needed to create a completely transparent capital construction process and to make all of that information available on the WCSD's web site. He said the Commission should ask if the BOT would be willing to adopt such a policy and how long it would take. He stated real deadlines were needed for such things as replacing the bad doorknobs identified in 2007. He asked if the WCSD would be willing to provide real deadlines if they were given another \$20 million per year.

Melanie Stewart said even though she had no children in school, she supported AB 46 because she felt she was paying back for the education she received, and she believed a lot of people felt that way. She stated there had been discussion on whether AB 46 was constitutional, but the Commission was not being asked to vote on its constitutionality but on AB 46. She said she looked at the tax implications, and her analysis indicated the average home would pay \$20-\$30. She said there had been significant reductions in the property taxes over the years, which was one of the reasons

why everyone was here. She stated it was time to start making that money up so the dilapidated schools could be fixed, and she asked the Board to please pass AB 46.

Fred Boyd said tonight everyone would hear how the 2002 Rollover Bond dollars were spent by the WCSD. He stated he closely monitored the WCSD's expenditures for the past 15 years, and he concluded the dollars were prudently spent. He said growth came at a cost, because most of the growth came at a time when construction costs were high. He stated if there had been no growth, this discussion would not be necessary. He thanked the Commission for its thoughtful weighing of this issue.

David Dehls stated the new schools needed to be maintained because of the amount of money invested to construct them. He said after looking at the WCSD's budgets, he determined the WCSD did a good job of maintaining its schools with the available money, but it was necessary to have a stable funding source for capital maintenance moving forward. He stated that was why he was urging the Commission to vote for AB 46. He stated some people wanted to raise the taxes on businesses, but businesses just raised their prices when taxes were raised. He believed it was time the citizens of Washoe County understood what it cost to support the schools, roads, police, and fire and that they should be prepared to support those services with the necessary taxes. He felt everyone was here to pass on a better standard of living to their children, and a lot of people would support the Commission voting for AB 46.

Joannah Schumacher said she represented a bipartisan group of people who were not able to attend today's meeting. She stated she was unsure why this issue continued to be debated, which was costing the County's taxpayers money, just so the WCSD could be raked over the coals for their mismanagement of taxpayer money. She said the Commission did not have the power to enforce anything in regards to the WCSD, so any agreement would have no teeth. She stated AB 46 violated the State's Constitution; and she urged the Commission to end the debate, stop wasting the taxpayers' money, and vote no on AB 46.

Tracy Goodsel stated she and her husband were newcomers to the area, and her husband owned a small manufacturing company with eight employees. She said they seriously considered moving to Austin, Texas, but chose Reno for personal and business reasons. She stated the schools' physical condition and the WCSD's national ranking was embarrassing and was a serious negative when choosing to move here. She said AB 46 was a viable option with which to address some of the physical needs of the schools. She stated many of the arguments against AB 46 would be addressed by regular reporting to the Commission and by the funds being earmarked for physical repair and maintenance only. She said the ongoing checks and balances for the money should be required before moving forward with AB 46 and, if that was done, the Commission should move forward with AB 46 to address a very real problem.

13-813 AGENDA ITEM 4 – ANNOUNCEMENTS

Agenda Subject: “Commissioners’/Manager’s Announcements, Requests for Information, Topics for Future Agendas, Statements Relating to Items Not on the Agenda and any ideas and suggestions for greater efficiency, cost effectiveness and innovation in County government. (No discussion among Commissioners will take place on this item.)”

Commissioner Weber said a planned Warm Springs Community forum would be held at the Regional Shooting Range on October 1, 2013.

Commissioner Jung requested a review of the Commissioners’ assignments to Boards and Commissions. She noted the Washoe County School District’s (WCSD) Board of Trustees (BOT) did not have representation on the Regional Planning Governing Board (RPGB). She said the WCSD built their schools where the developers donated land, which forced growth, and was not necessarily wise. She said there were other Boards and Commissions where a more balanced representation was needed by the community leaders. Commissioner Hartung noted Dave Aiazzi had been present at some of the RPGB meetings. Trustee Aiazzi replied the WCSD was not a voting member of the RPGB.

Chairman Humke said his silence regarding the public comments about certain public officials committing illegal acts did not signal his approval of those comments, and he respectfully disagreed with them. He stated he did not know if AB 46 would pass. He believed the long-term solution was to look to history to find a method that would work, and he discussed the successful attempts in getting funding for the Regional Transportation Commission (RTC) and for the WCSD. He said getting the funding for the WCSD involved the business community, and he bet there were business people in this community who would engage in solving this long-term problem. He felt the heart of that effort would be a vote of the people, which he felt the WCSD could not go wrong in doing. He called upon the business community to work with the WCSD to make this happen, however long it would take.

13-814 AGENDA ITEM 5 – AB 46

Agenda Subject: “Discussion and possible direction to staff on AB 46 of the 2013 Nevada Legislative Session, including but not limited to: History of Washoe County School District’s capital funding including the Bond-Rollover funding approved by voters in 2002; current status of Washoe County School District’s capital funding; response from Washoe County School District to County Commissioners’ questions on AB 46 and the Washoe County School District’s capital funding program (discussion and response to questions generated from the Board’s ongoing review of AB 46). (AB 46 authorizes the imposition of a new sales and use tax, and ad valorem tax in Washoe County for capital projects of the Washoe County School District.)”

Barbara Clark, Washoe County School District (WCSD) Board of Trustees (BOT) President, expressed the BOT's thanks to the Commission for taking the time to hear today's presentation on where the WCSD was at. She said it was great for the BOT to be able to hear their constituents' input. She stated it really was a new school district that embarked on a new path over the last four years and strove for transparency and accountability. She stated she had a printout of all of the capital campaign bids over \$25,000, which she would give to Todd Bailey and would be put on the WCSD's web site soon. She said the BOT heard what the people had to say and they tried to improve.

Pedro Martinez, Washoe County School District Superintendent, said he tried to get AB 46 passed by the Legislature, but unfortunately it landed in the Commission's lap. He thanked the Commissioners for taking the time to study AB 46 and for allowing the WCSD to share its story. He said the Commissioners were involved with the schools more than ever before and, because all of the WCSD's projects were on hold until there was an answer about AB 46, Commissioner Hartung was working with community members to get funding to fix a security issue at one of the schools in his District.

President Clark stated the WCSD's 93 schools and 200 buildings were in good shape, but an ongoing funding source was needed to keep up their maintenance. She said the schools were community assets that were paid for with taxpayer dollars and, as a community, they needed to be proactive in protecting those assets. She stated the 2002 Rollover Bond funds were used in the way the taxpayers were promised. She said the WCSD's 62,000 students went to school each day and were safe, warm, and dry.

Peter Etchart, WCSD Chief Operating Officer (COO), stated page 5 of the *AB 46: School Capital Needs Initiative* report discussed the four categories of capital projects used by the WCSD: student housing, revitalization, capital renewal, and technology updates. He advised capital renewal was the only category where the funds from AB 46 could be expended. He explained there often was confusion between maintenance and capital renewal. He said maintenance represented items such as custodial services, lawn mowing, and replacing light bulbs; and was an operating expense funded out of the WCSD's General Fund. He stated capital renewal was the replacement or rehabilitation of a facility or site system, such as replacing the entire heating, ventilation and air conditioning (HVAC) system, which added value to the facilities. He said preventative maintenance prevented a facility or site system from being added prematurely to the capital renewal list and helped ensure the full lifecycle was achieved for a facility's assets.

President Clark said page 9 of the *AB 46: School Capital Needs Initiative* was a report on the 2002 Rollover Bond, which was the main source of funding for the WCSD's capital projects over the last 10 years. She said Page 10 showed the commitments made to the voters and the commitments kept. She stated the additional funds that came in were allocated to improvements for older schools, which was what the public indicated they wanted done. She noted because technology changed so quickly, it was very difficult for the WCSD to keep up with the changes. She said the voters had

been and still were very vocal about what they wanted to see happen regarding new schools and the revitalization of older schools, and the BOT tried their best to listen to what people wanted.

Superintendent Martinez stated page 11 of the *AB 46: School Capital Needs Initiative* report showed how every single penny of the 2012 Rollover Bond was spent, which indicated the promises were met and in many cases exceeded. He said the majority of the funding, just over \$195 million, went to build new schools, and over \$106 million went to revitalize existing buildings. He stated the majority of the buildings were 30-years old and many were older, and all but seven buildings had been revitalized. He said \$94 million remained, but that money was already committed for capital systems, which had expired and needed to be replaced. He stated the challenge of using the entire \$94 million on capital renewal systems would not solve the equity issue, which was what AB 46 was about. He said Washoe was the only county in the State that did not have a dedicated revenue source to maintain the WCSD's 200 buildings. He stated he was asked when he became Superintendent, why the WCSD did not set something up. He said the reality was the WCSD was not able to get that revenue source through the Legislature as Clark County did, which allowed them to revitalize every one of their buildings during the last 20 years. He said one reason it was not a good business decision to use Rollover Bond funds to replace systems was because once the money was used it was gone, which meant it was not a sustainable revenue source. He stated the second reason was the Internal Revenue Service (IRS) rules required the funds from the Rollover Bond be spent within five years. He stated another question he was asked was how much of the money was used to administer the program. He said the commitment made to the taxpayers promised that amount would never exceed 5 percent, and the actual amount was just under 3.5 percent.

Chairman Humke asked if the \$94 million plus in funds had not been spent because there were not enough personnel to manage the projects. Superintendent Martinez said the short answer was yes. He stated because the bond funds had to be spent within five years, the WCSD had to be very careful to manage the workload because they did not want to spend so much money administering the program that it took money away from working on the buildings. He said they had spent on average \$30 million per year. He stated because properties were so depressed there were no revenues available through the Rollover Bond. He stated the \$94 million would be spent over the next three years. Chairman Humke said he saw the three-year spending period for the \$94 million as a bridge to get to the ultimate answer. He stated around 1997, a bill for the Clark County School District was proposed and the WCSD could have been amended in but, for whatever reason, there was a disinclination to do that. He stated he was sorry, but the equity issue did not really resonate with him because there had been the chance for it to be added to that bill, which would have happened if the WCSD agreed. Superintendent Martinez said no matter what happened in the late 1990's, it did not eliminate the current need. He stated close to 63,000 children were using the buildings every day and the need would not go away.

Commissioner Hartung said he echoed the comment about the WCSD turning down the opportunity to use Clark County's funding source, which was the real property transfer tax. He stated his big concern was there was no way to fence off the funds. He felt when a school was built, funds should be dedicated to that school and fenced off to ensure those funds were constantly being replenished for that school. Superintendent Martinez agreed it was always a good business decision to have a dedicated revenue source that would be used to maintain the buildings. He said one of the challenges was no mechanism had been set up to do that. He stated the WCSD could not hang on to the Rollover Bonds indefinitely because of the five-year spending limitation set by the IRS. He said the BOT had already put it in writing that the AB 46 funding would be restricted. President Clark said she was not sure allocating maintenance funds to each school would be practical, because things came up that had to be dealt with. She said there was a system to track when items would need repair or replacement and there were outside committees that prioritized the needs. She said it was not about throwing money around, but was about making serious decisions based on safety priorities and then moving onto the next priority. She stated every dollar allocated to capital projects was put into capital projects. Commissioner Hartung said if he purchased an automobile, it would need tires at some point. He reiterated his comment about fencing off funds because as a school got older it would require more maintenance. He said fencing off the funds would keep outside entities from coming in and garnering those funds. Superintendent Martinez agreed. He stated many districts around the country made the mistake of using their Rollover Bonds to try and keep up with maintenance, and when the economy was good and property values rose, they could get away with that even though it was not the right business decision. He agreed there should be a dedicated revenue source, which frankly brought about AB 46.

Commissioner Jung said she looked at the 1997 pass on a dedicated-funding source differently. She stated the WCSD should be congratulated for not taking money when it was not needed, but now the need had been identified for a dedicated revenue source. She felt that justified why this was an important conversation to have and made the argument in her mind for AB 46.

Commissioner Berkbigler said the *AB 46: School Capital Needs Initiative* report was broken down so that she could see where the money was going. She felt the public needed to see what an excellent job the WCSD was doing with the funds it had. She commended the WCSD for being as open as they had been in providing this information.

Lindsay Anderson, WCSD Government Affairs Director, said she heard the 1997 ballot question was why her position was created; there was no Government Affairs representative with the Legislature at that time and the WCSD decided more attention needed to be paid to what the Legislature was doing.

Ms. Anderson discussed how AB 46 came about, which was detailed on page 13 of the *AB 46: School Capital Needs Initiative* report. She said when the WCSD's financial advisors indicated there would be no access to Rollover Bond money until at

least 2018, the WCSD went to the community about why an alternative to the Rollover Bonds was needed. She said the WCSD wanted this to be a joint effort with the community and, during those conversations, the WCSD also talked with the Northern Nevada's legislative delegation. She stated many options were considered, but they heard loud and clear from the business community that they did not want industry-specific solutions, such as the lodging and real property transfer taxes used in Clark County. She said an agreement was reached regarding the two broadest-based taxes and once that agreement was reached, the discussion turned to how much. What rate could the people live with and how much would ultimately meet the needs of the WCSD, and a compromise was reached. She said the point was the WCSD did go to the community first, and were told the community would get behind this legislative solution, which had been demonstrated by their advocacy in Carson City and here before the County Commission.

Mr. Etchart said page 14 of the *AB 46: School Capital Needs Initiative* report showed the WCSD's *Projected Capital Renewal Needs in the Next Ten Years for All of WCSD* table, which was developed based on the WCSD's Facility Condition Information System. He reiterated the AB 46 funds could be expended for the capital renewal projects that were included in the table. He said the table was continually updated based upon a continuous inspection cycle of the WCSD's facilities. He stated the System allowed the WCSD to break down the needs in a multitude of ways, including by building system, as shown in the above mentioned table, or by County Commission District starting with District 1 on page 25, District 2 on page 33, District 3 on page 41, District 4 on page 49, and District 5 on page 57 of the *AB 46: School Capital Needs Initiative* report. He said the "expired" column showed the building systems that were beyond their useful life, were no longer economically serviceable, and needed to be replaced.

Commissioner Berkbigler asked what conveying meant. Mr. Etchart replied it was a fancy word for elevators.

Ms. Anderson said she would go through the WCSD's answers to the questions submitted by the Commissioners, which were shown on the *Questions from Washoe County Commissioners to Washoe County School District* document.

Ms. Anderson said the first question was, "Is separation of School District funding (capital and operations) prescribed by statute?" She said the two statutory references were provided, and Nevada Revised Statute (NRS) 387.328, subsection 4, indicated the money could only be used for capital projects. She said NRS 387.335 defined capital projects and demonstrated the WCSD's capital funds could not be used for operating expenses.

Ms. Anderson said under the second question "Routine maintenance vs. Capital expenditure," the first part of the question was, "How are the following defined in relation to the allowed use of the funds: capital projects; maintenance," which Mr. Etchart described earlier. She stated the second part of the question was, "Are expenses

such as computer hardware and/or software included in the definition of capital projects?” She said NRS 387.335, subsection 1e, said that was permitted. She said the WCSD’s standard practice was to finance new hardware purchases from capital funds and hardware replacement/refreshment from the General Fund.

Ms. Anderson said the third question was, “What was the Legislative Counsel Bureau (LCB) opinion regarding use of the funds for maintenance?” She stated that question was not posed to the LCB, but the AB 46 funds would only be used for capital renewal and not for the daily upkeep of the schools.

Ms. Anderson said the fourth question was, “Can funds from wage reductions or other expense reductions be redirected for capital needs?” She stated that was a possibility and, if positions were eliminated in the Capital department, those funds could be used for capital projects. However, there would have to be somebody to manage the capital projects and, if they were not managed internally, they would have to be managed externally. She said that was calculated to cost more money, which meant it would be more fiscally responsible to manage the projects internally. She stated operating funds could be used for capital projects, but it was not a good alternative.

Commissioner Jung asked if the BOT had done any scenario planning in case AB 46 was not put through. President Clark said the BOT was in the middle of having those conversations, but had not come to any agreement. She stated the BOT might have to figure out how to use the operating funds, which would require looking at dire scenarios. She said 88 to 92 percent of the WCSD’s budget was for salaries. She stated if they had to use operating funds, they might have to talk about closing schools, layoffs, and/or not providing transportation. Commissioner Jung requested the BOT provide some scenarios before the next workshop. She felt it would be helpful for the whole community to see what the impact of not passing AB 46 would be. Superintendent Martinez said at a minimum the WCSD could not be proactive anymore if AB 46 did not pass. Commissioner Weber asked if the WCSD could figure out how long it would take to put through a vote of the people.

Commissioner Hartung said the BOT said the WCSD would face dire straits if AB 46 did not pass. He recalled the WCSD had approximately 8,000 employees, 4,000 of which were teachers and 4,000 were support staff. He stated the County cut its budget dramatically, combined departments, and did things the County had never done before to make the necessary cuts without reducing services any more than necessary. He said currently the WCSD was spending \$28 million plus on the Facilities Management Department with \$25 million in salaries and benefits. He said his question came back to the WCSD wanting to spend \$48 million on facilities management, which was almost double the present amount. Mr. Etchart said that went to the question on how much the WCSD paid for facilities maintenance and to the question Commissioner Hartung posed at the last workshop regarding if the WCSD would be adequately funded if it received a \$1.80 per square foot for facility maintenance. Mr. Etchart said the WCSD was adequately funded for facilities maintenance, but not for capital renewal. He said the schools had been maintained but, no matter how well something was maintained, systems

eventually had to be replaced. He said regarding the question, “How much per square foot does the WCSD pay for facility maintenance?” He said the Council of the Great City Schools calculated facility maintenance was \$1.80 per square foot. He stated if the WCSD was given \$20 million per year, it would be spending \$2.70 per square foot. He said there were a lot of ways to pay for this, and the State of Nevada charged a \$1 per square foot in rent to everyone who was a tenant in one of their buildings, which paid for maintenance and utilities; but other agencies, including the WCSD, could not use that mechanism. He said the WCSD was looking for a long-term sustainable funding source to pay for the facility-site system, which was what the \$20 million would pay for.

Superintendent Martinez noted page 14 of the *AB 46: School Capital Needs Initiative* report showed the number of systems that been serviced to extend their life. He said the WCSD’s school buildings were subjected to a lot of wear and tear because they were constantly in use. He stated school districts were different than other governments because the principals or the central office staff supervised on average 30 other staff members. He said safety was paramount because of the children, but incidents occurred in the schools that staff had to deal with. He stated meals were served and 20,000 children were transported every day. He said the salary structure was heavily weighted towards certified staff and, to find the right level of savings, would mean a significant cutback in services. He said on the administrative side that could mean not transporting children or keeping the buildings clean and on the instructional side that could mean increasing class sizes. He explained the administrative budget was 9 percent, which included the principals who were charged with keeping the buildings safe. He said Nevada spent \$2,000 less per student than the national average. He stated the WCSD was not starting from a position of strength on the operating side, but in spite of that the WCSD was pushing ahead academically.

President Clark said question five was, “Is the WCSD able and/or willing to indemnify the County against possible litigation/damages (through a bond or other mechanism)?” She said the WCSD understood the County’s exposure and would be willing to discuss it further to reach something mutually acceptable. Chairman Humke asked if that would be acceptable to the District Attorney. Paul Lipparelli, Washoe County’s Legal Counsel, advised it was a start, because the WCSD had indicated a willingness to discuss ways the risks could be shared. Chairman Humke stated it appeared this was in good hands, and he felt the discussion should continue. Commissioner Berkbigler agreed. She said the Commissioners might have ideas about what they might like to see included, because she felt there were more than the four specific things listed in the September 12, 2013 letter from Randy Drake, WCSD’s Chief General Counsel, to Mr. Lipparelli.

Ms. Anderson said question six was, “Is there any ability to mimic the capital funding sources that other school districts have?” She said the WCSD heard from the community that they did not want to use the lodging and the real property transfer taxes. She said if the WCSD decided it wanted to use them, it would require legislative action and another bill would have to be sponsored to give the WCSD that authority.

Ms. Anderson said question number eight was, “Have you explored other options like grant funded capital?” She stated the WCSD had a very aggressive grants office and received millions in grant funding every year. She said that money was used for some capital projects, but there were not a lot of grants available for basic infrastructure needs.

Ms. Anderson said question number nine was, “Did the legislature declare AB 46 an emergency item?” John Slaughter, Acting Assistant County Manager, felt there might have been some confusion about how the question was asked. He explained AB 46 was declared an emergency regarding how it was processed in the last days of the Legislature, but was not declared an emergency request.

Commissioner Hartung said he did not believe anyone questioned it would be nice for the WCSD to have a dedicated funding source, but what happened if the margins tax was passed. Chairman Humke stated the margins tax was a parallel effort to AB 46. Commissioner Hartung said many of his constituents believed passage of both AB 46 and the margins tax would essentially be double dipping. He stated he realized it was not one of the questions asked, but he felt it was a “what if” that had to be on the table. Commissioner Berkbigler felt it was important to point out the group sitting here were not the unions and they had nothing to do with the margins tax. She said a large diverse group was supportive of AB 46, in part because it was broad based instead of industry specific. She said she was also worried about the margins tax, because the citizens in Washoe County would take a double hit if the Board enacted AB 46 and the margins tax also went through. She said she appreciated Commissioner Hartung putting the question on the table and at some point there would have to be a discussion with both entities’ legal counsels on what would happen if both taxes were passed. Commissioner Hartung said he was asking about what would happen if that occurred, and he was not suggesting this group had any culpability in that. He stated the question was what contingency would be on the table with respect to the enabling of the margins tax. President Clark said the margins tax would not address any of the WCSD’s capital needs.

Superintendent Martinez said regarding question ten, a third-party audit of the WCSD’s capital project needs was being done and should be ready to be presented at the October 2013 workshop.

Ms. Anderson said question eleven was, “What is the sales tax and property tax in Washoe County and the surrounding counties?” She stated the sales and property tax rates and the information on vacant properties were attached to the *Questions from Washoe County Commissioners to Washoe County School District* document. Ms. Anderson stated question twelve was, “What is the value of your vacant property?” Mike Boster, WCSD School Planner, said the WCSD’s 10 vacant properties fell under three categories. He stated on the *Vacant WCSD Owned Sites – 20 August 2013* table, the green color indicated the properties would be needed as the area grew, yellow indicated the properties that would viable potential school sites, and the red properties would likely be disposed of. He said the list was made available to developers and realtors.

Mr. Boster noted the most questions received had been about the old Incline Village Elementary School. He said when the school was closed, the BOT directed staff to reach out to the community, developers, and public agencies to see what they wanted to do with the publically owned asset. He said in 2009 an appraisal was done, which listed the highest and best use as, “demolition and redevelopment as market conditions warrant.” He stated demolition costs were estimated to be between \$800,000 and \$1 million primarily due to the use of asbestos in the building. He said the property was located on the Incline Village earthquake fault, which further limited the potential uses. He advised in 2011, the Tahoe Transportation District leased the site as a parking lot for the Sand Harbor beach goers during the summer months, and there were plans to continue that use in 2014; but the WCSD remained open to talking about any other potential uses for the site.

Commissioner Weber asked how much land was needed for the schools. Mr. Boster replied 8.5 acres were needed for an elementary school, 20 acres for a middle school, and 60 to 80 acres for a high school depending on the programs that would be put in place. Chairman Humke asked how many students each school would hold. Mr. Boster said elementary schools were typically designed to hold 300-500 students, middle schools to hold 1,500 students, and high schools to hold 2,000 students and up. Superintendent Martinez clarified if a new elementary school was built, it would need to hold 500-800 students because the areas that could see a population increase would need that capacity long term.

Commissioner Hartung asked since the old Incline Elementary School was located on a fault, why not get rid of it. Mr. Boster said the decision to retain the site was based on the BOT’s direction to reach out to the community regarding what to do with the publically owned asset.

Commissioner Weber said there had been a property in the Sky Vista area of the North Valleys that was dedicated as an elementary school. Mr. Boster said the property was dedicated to the WCSD with a sunset clause and, since there was not a need to build a school, the sunset clause ran out and the property reverted to the previous owner, Sky Vista Associates. Commissioner Hartung asked if donated sites could be sold. Mr. Boster replied those sites were usually deed restricted, and the NRS also had strict rules under which the WCSD could sell, lease, or exchange properties.

Thomas Ciesynski, Chief Financial Officer (CFO), said question thirteen was, “Request a comparison of costs for capital programs from school districts of similar size.” He stated a graph showing comparable schools was attached to the *Questions from Washoe County Commissioners to Washoe County School District* document. He said the information on the average age of the schools was not available in the comprehensive annual financial or the audit reports of those school districts.

After discussion about providing copies to any citizen who did not get copies of the information distributed to the Commission, staff was directed to make

copies, distribute them to the citizens who wanted them, and place the extras on the back table.

Commissioner Weber said she had a question for the next workshop. She stated she wanted to know what the star ratings were for each school and what those ratings meant. Superintendent Martinez advised the WCSD would release that information on Friday and would get that information to the Commissioners.

In response to the call for public comment, Nancy Parent, County Clerk said Dana Galvin, Robert Munson, Dawn Miller, and Gretchen Rosberg did not want to speak but were in favor of AB 46.

Linda Hunt stated her research indicated students attending school in buildings rated as being in poor condition had achievement ratings 6 percent below those in fair condition and 11 percent below those in excellent condition. She discussed other studies that tied the performance of teachers and students to the condition of the school buildings.

Phillip Kaiser said the buildings at McQueen High School were in need of repair because they were 31 years old. He stated the schools were community assets that needed to be maintained, and typically the repairs went to local contractors. He said Nevada had one of the lowest tax rates in the country and ranked in the bottom in per pupil spending and, if AB 46 passed, that would not change. He stated AB 46 would cost the average household \$8 per month, and he asked AB 46 be passed.

Joe Cline said the University of Nevada, Reno's (UNR's) mission was to prepare graduates to compete globally and to improve the economic and social development of Nevada's citizens. He stated UNR had many partners in accomplishing those goals, but there was no partner more important than the WCSD, because its vitality and the quality of its product were crucial to UNR's and the County's success. He said Washoe County was competing with Clark County, California, and Arizona in addition to competing on the world stage. He said it was essential that Washoe County's schools have the infrastructure and the operating resources to give the County's students a chance at success. He stated the Commission's leadership and vision were needed now, and he urged the Commission to support AB 46 for the prosperity of this County.

Jeanne Herman said her taxes had never gone down and they were hard for her to pay. She stated she had to make due when something broke.

Larry Chesney stated AB 46 would give the WCSD money, but then inflation would happen, the cost of living would go up, and the WCSD would be back asking for more money. He felt the WCSD needed to learn how to live within their budget. He stated past BOT for decades refused to address the maintenance and capital funding issues, because it was more popular to spend the money on the teachers and administration; but someday that had to come to an end.

Katherine Snedigar stated she appreciated the emotional pleas for passing AB 46, and she did not think anybody disagreed with the arguments being presented tonight. She said the problem was AB 46 was illegal, unlawful, and unconstitutional. She stated the Commissioners would incur a personal liability when they acted outside their authority. She said her tax increase for the year would be over \$175. She felt Common Core would be paid for out of the Capital funds, which would be a very expensive project. She stated she appreciated the situation the WCSD was in, but no one could dip into her pocket without her saying something about it.

Susan Kaiser discussed why she supported AB 46. A copy of her comments was placed on file with the Clerk.

Fran McGregor said she taught at the newest school and her husband taught at one of the oldest. She discussed his gym not being air-conditioned, which became an issue during the Rim fire, and the old heating system. She urged the Commissioners to support AB 46.

R. C. Westrup said he was here because of a broad-brush general interest in local government. He believed good government followed the rule of law and, if what the Legislature did was wrong, then anything the Commission did would also be wrong. He advised the Commission to send this back to the Legislature with the caveat to add school vouchers, which would give the parents a choice against too much government.

Chairman Humke advised the copies of the documents provided to the Commissioners were available on the back table.

John Flangas said he was 85 years old, but he was not opposed to paying more for school construction and repairs. He believed the Commission did not constitutionally have the authority to pass AB 46, and they should vote no and return to it to the Legislature who dumped this on the Washoe County Commission instead of voting on it.

Jill Tolles said the most common objections were about the process, the perceptions, and the price; and asking about AB 46's constitutionality would alleviate a lot of those concerns. She stated the most significant benefit to this process was the 15 hours being spent discussing it locally, rather than the hour and fifty minutes spent at the state level. She said there would be local accountability because of the opportunity to have a binding Memorandum of Understanding (MOU), which would not have happened at the state level. She stated AB 46 was necessary, not because of any mismanagement of funds, but because of the economic downturn and the inability to bond until 2018. She said it was also due to the WCSD only having two revenue sources rather than the four every other county had for capital projects. She hoped the excellent presentation made by the WCSD tonight would alleviate some of the distrust regarding how the 2002 funds were managed. She said the price would be less than \$8 per month for a \$20 million dollar return, and investing in better schools would increase property values.

Tom Clark said he was here in 1997 and saw what happened when a bond question lost because the people did not trust the WCSD. He stated a business coalition did whatever it could to repair the reputation of the WCSD, and it worked. He said it worked again for the Rollover Bond campaign, but had not worked since because the people did not have the money in their pockets. He said the business community would have to come up with hundreds of thousands of dollars to campaign for an advisory question during a non-presidential election. He stated the schools needed to be kept up and running with equity.

Art O'Connor said he was against AB 46. He stated in 2008 the voters turned down a packet of three taxes, two of which were in AB 46. He said the only one missing was the transfer tax. He said most of the funding in 2008 to oppose the ballot question was from realtors and the Chamber of Commerce who perceived the transfer tax would be dangerous to sales, but \$200 on a \$250,000 house was not much. He said by not having the transfer tax in AB 46, the realtors and the Chamber of Commerce got behind it. He said the transfer tax was one of the most progressive taxes out there, while the sales tax impacted the people who could least afford it. He stated there was a quarter of one percent difference between the sales tax in Reno and the sales tax in Carson City, but car dealers advertised that the Carson City sales tax was lower. He said adding another quarter of one percent would hurt the car dealers in Washoe County.

Frank Brittain discussed why he supported AB 46. A copy of his comments was placed on file with the Clerk.

Jonathan Begley said he appreciated the Commission for asking the tough questions. He thanked the WCSD because they had shown they had a plan, which he felt the community was behind. He said improvements were being made, which was shown in the increase in the graduation rate. He stated he worked with employers across the region, and he felt they understood the students would be their future workforce, which was something very critical to businesses. He said as a parent it was tough to support a family of four on one income, but AB 46 was an investment in the children and the community and was something he was willing to do.

Jim Frommer said one quarter of one percent on a \$50,000 car would be \$125, and he did not believe the difference in the sales tax between here and Carson City made a difference. He stated sequestration was affecting budgets because it cut into the grant revenue, and the school principals had to move staff to make ends meet. He said the Education Alliance provided the opportunity to shadow a principal because it was important to understand what the principals had to deal with daily. He stated businesses were behind AB 46 because, no matter what their politics were, they felt this was important. He said this was vetted and supported by a broad swath of businesses, and he asked the Commission to support AB 46.

Les Gonzalez said he opposed AB 46. He stated he saw AB 46 as a workaround instead of a solution, and the WCSD needed a long-term funding stream. He stated raising taxes a little here and there added up, but there had to be a better way to

raise the money needed. He said he did not want to pay any more taxes than he had to, but he would pay his fair share. He asked the Commissioners to vote against AB 46 or to do something so it was not just a quick fix.

Mike Dillon, Builders Association of Northern Nevada (BANN) Executive Director, said the BANN felt AB 46 would provide a broad and stable funding source for the WCSD. He stated the WCSD demonstrated a clear understanding of what the needs were, and everybody in the Community benefited from a strong school district. A copy of his written comments was placed on file with the Clerk.

John Krmptic said he fully supported AB 46, because an investment in education was the number one game changer. He stated Superintendent Martinez said the WCSD was being proactive, but someone else called it a Band-Aid. He said it was absolutely proactive. He stated there were \$160 million in critical needs and there would be \$300 million on the table from the revenue stream that would come from this modest taxation.

Tray Abney, said he represented the members of the Chamber Reno/Sparks/Northern Nevada. He stated Chairman Humke made a comment about businesses getting together and working to come up with a plan, which was what they did. He said AB 46 was not done in a vacuum and there were many meaningful conversations with the WCSD leading up to the last Legislative Session. He said two broad-based sources were picked so everyone had skin in the game. He said the members supported AB 46, but did not support going to a ballot question because the appellate court and the margins tax were already on next year's ballot. He stated everyone should be concerned about the detrimental effect of the margins tax on the current business community and on the economic development effort to persuade new businesses to come to the area. He said there was no guarantee the margins tax would increase spending on education. He stated the money would go to the Distributive School Account, but there was no guarantee the Legislature would not do something else with the money. He said the Distributive School Account had nothing to do with the capital funding of any school district. He stated it was felt tax policy should not be decided at the ballot box, but by the elected representatives, and the Commission was urged to show their leadership by supporting AB 46.

Yvonne Wood-Antonuccio said she supported AB 46. She stated the WCSD lost \$163 million in revenue over the last five years, and AB 46 would offset a small portion of that loss. She stated AB 46 was a very modest tax increase, and the property tax portion was an increase of one twentieth of one percent. She said the WCSD was underfunded by 30 percent compared to the national average. She said that was not something to be proud of, but what the community could be proud of was the remarkable job the WCSD did in reforming and innovating the WCSD since Superintendents Keith Morrison and Pedro Martinez were hired. She feared if AB 46 was not passed, the WCSD would not have the resources to continue to make those positive strides since their reserve funds had been used; and she feared the impact that would have on economic development. She said passing AB 46 would send the message that the community

valued education and was willing to make a small sacrifice for the future of the community's children.

Fred Boyd said he agreed with Commissioner Hartung that money should be set aside for a particular building, but that was not allowed in Nevada. He stated the deficiencies in the buildings were not due to negligence, but were due to having to stretch the maintenance dollars over the last 15 years and because much of the WCSD's resources were used to build the new schools required by growth.

Todd "Taxpayer" Bailey said equity was a veiled accusation of taxpayer discrimination, which was false because the taxes were collected equitably. He stated because the WCSD BOT allocated how the tax dollars were spent, they would be the source of any discrimination, but he was not aware of that happening so everyone should stop talking about equity. He said property taxes were the dedicated-funding source for this type of work, but it took the discipline of setting aside money for maintenance just like every homeowners association in the State did. He said if doing that required passing a law at the Legislature, then kick it back to the Legislature.

Gary Schmidt said he did not dispute the value to the community of a quality education and that the WCSD's buildings needed maintenance, repair, and eventually replacement. He stated he also did not dispute some government services were necessary and that some taxation was also necessary to maintain those services. He said he did not believe there was a need to invest more in education, but there was a need to reform education. He stated he was offended that the Legislature did not have the courage to vote on AB 46, but instead breached their fiduciary duty and kicked it to the Commission. He said this was not the Commission's job or responsibility.

Margaret Martini said she was against AB 46. She believed the Commissioners were put in a politically precarious position by the Legislators and the Governor. She agreed this was not the Commission's job. She stated she was a real estate agent, and most realtors were not in support of new property taxes. She said the Commission did a good job in balancing the County's budget, and she did not see why the WCSD could not do as good a job in balancing theirs. She stated this would not be investing in teachers, but in an out of control school district that had not been fiscally responsible with the huge amount of funds they were currently receiving. She said the WCSD could be a stronger with better fiscal management.

Joannah Schumacher said she represented a large bipartisan group of people who were unable to attend this meeting. She stated she wished the business groups read the State Constitution prior to supporting this, but it sounded like they consulted a lot of people who were stakeholders and had a vested financial interest in AB 46 passing. She stated when this new proposal was created to take the money from somebody else, the business groups were all for it. She said the large group she represented was becoming better organized and was raising funds for the sole purpose of educating citizens to fight, to seek out individuals who were voting incorrectly and to target them for removal during the next Primary Election. She said if one person was harmed by this

tax being passed, the Commissioners would have exceeded their authority and they would be held liable.

Greta Jensen said she was an economist who spent twenty years evaluating markets for economic development opportunities for investors. She stated looking at the demographics included evaluating the educational system, population growth, and the transportation network; but education was always a primary factor. She said voting for AB 46 would send a message to investors and the business community how much the community cared for its schools and how much the community was willing to invest in them. She urged the Commission to vote for AB 46.

Melanie Stewart said as a Human Resource Manager, she would not recommend her organization come to the area primarily because of the WCSD. She stated as a Human Resource Manager, one of the things she looked at was the availability of local talent, and she heard a lot about the brain-drain from this area. She asked the Commission to consider the economic consequences of continuing to underfund the WCSD, and to please vote for AB 46. She said she was aware the Commissioners were put in an unfortunate position, but she felt it was important they look in the mirror and know they had done the right thing above all other things.

Chairman Humke closed public comment.

Commissioner Jung asked what the net effect of implementing the property tax would be and what the people would be paying. She believed this was an economic development issue, which this Commission made a priority. She said education was one of the first things looked at when a company was considering relocating to an area and, instead of trying to attract them with cheap labor, we should be trying to attract them with a highly educated workforce, which the area did not have. She stated because of that lack, a business coming to the area had to import their employees, but those employees did not want to relocate here because of the education offered. She agreed the brain-drain was occurring, especially in the high-tech fields. She wanted to continue this conversation; and she felt the Commissioners should not make a decision yet, because not every rock had been uncovered and the public engagement was not finished.

Commissioner Hartung felt the WCSD did a phenomenal job educating the County's children. He stated his two children attended school here and his son was a research scientist and his daughter was at Stanford's medical school. He said he took exception to someone saying Washoe County did not have a great educational system.

Commissioner Berkbigler summarized some of the questions asked during this workshop. One was requesting the WCSD present a Plan B at the next workshop if they had one, explaining what the schools' star ratings were and what that meant, and discussing what would happen if the margin tax passed.

Chairman Humke said two provisions in AB 46 stood out. He asked if the WCSD could explain the public-policy purpose for having the AB 46 money being

outside the \$3.64 limit. He also asked if the WCSD participated in the Debt Management Commission (DMC). Mr. Slaughter replied they did. Chairman Humke asked what the public-policy purpose was for going over 3 and 8 percent limitations placed in State law in approximately 2005 and 2007.

Commissioner Weber said a comment was made about Common Core and whether or not that cost could come out of the capital improvement budget. Superintendent Martinez replied the AB 46 revenue source could only be used for capital renewal and not for technology. He said tests were being done on the computers to make sure they could handle the Common Core testing in 2014/15. Commissioner Weber stated she heard from a few teachers that they only had one teacher's manual for all of the teachers to use in that school. Superintendent Martinez said there were no manuals for Common Core, instead there were several online resources. He said the WCSD was rolling out Common Core throughout the year, because it was such a big shift in how things were being taught. He felt Common Core would have significant benefits for the State and the County.

President Clark said being a public servant was not for the faint of heart. She stated the comments made indicated it would not matter what direction was taken in trying to raise a tax, whether it was through the Legislature or some other mechanism, because someone would always be opposed. She said regarding the question about the WCSD's fiscal responsibility, the BOT had become more and more transparent over the last four years. She said they were willing to put in the MOU whatever monitoring or accountability mechanism was needed. She stated the public was welcome to come to BOT meetings. She emphasized the BOT was not trying to hide anything, but could they improve, they absolutely could.

President Clark stated if it got to the point where operating funds had to be used for maintenance at the level that was being discussed, she was not sure the Commissioners would want to hear from their constituents. She believed the Commissioners did not hear many complaints about the school facilities, because the WCSD tried to keep them up as best as they could on an ongoing basis. She said having to dip into the operating funds could mean not providing transportation, then the issue would be equity because children would not have the ability to get to school. She said if all of the facilities were allowed to go downhill, the Commissioners would receive more complaints from more of their constituents about not having the necessary services whether it would be transportation, feeding the children, or providing the programs that would make the children successful academically. She truly believed none of us wanted to head down that path.

President Clark said Common Core was mandated, but did not come with any money and meant the WCSD had to figure out how to pay to train all of its teachers. She thanked the Commissioners for allowing the WCSD the opportunity to hear from the public, and she looked forward to the further conversations.

Chairman Humke said all parties had refined and improved their comments, which was helpful to the process, and he felt the public's arguments were connecting.

13-815 AGENDA ITEM 6 – REPORTS AND UPDATES

Agenda Subject: “Reports/updates from County Commission members concerning various boards/commissions they may be a member of or liaison to.”

There were no reports or updates.

13-816 AGENDA ITEM 7 – CLOSED SESSION

Agenda Subject: “Possible Closed Session for the purpose of discussing labor negotiations with Washoe County, Truckee Meadows Fire Protection District and/or Sierra Fire Protection District per NRS 288.220.”

No closed session was necessary.

13-817 AGENDA ITEM 9 – PUBLIC COMMENT

Agenda Subject: “Public Comment. Comment heard under this item will be limited to three minutes per person and may pertain to matters both on and off the Commission agenda. The Commission will also hear public comment during individual action items, with comment limited to three minutes per person. Comments are to be made to the Commission as a whole.”

Todd “Taxpayer” Bailey said he heard over and over that the cost of AB 46 would be \$8 per year. He stated a lot of the time the WCSD’s lack of providing information on specific questions on AB 46 had been the issue. He said the shopping centers and other big companies did not come to Washoe County because of a strong educational system, but because of the significant tax cuts due to the Star Bonds. He said it was not about what happened in the past but what would happen in the future in the form of transparency and accountability that was verifiable, and he discussed his plan for the WCSD.

Gary Schmidt said he was educated as an economist and had been very successful. He stated this was a depression and not a recession. He said one of the reasons Nevada was first in and last out of the depression was due to the poorly planned and sprawling growth in Washoe and Clark Counties. He said another reason was the totally inflated contracts for salaries and retirement benefits with the public-sector unions. He predicted in 2006 it would take a minimum of 10 years and probably closer to 20 years for Nevada to pull itself out of the depression, which appeared to be holding fast so far.

Margaret Martini stated businesses came to Washoe County for the tax advantages. She said if the County continued to pile on taxes, the opportunity to bring

businesses would be lost. She agreed with Commissioner Hartung that her children received an excellent education through the WCSD. She felt the WCSD's budget was bloated. She stated they always said they needed more money, but said nothing about better utilizing the money they had already been given. She said the WCSD's presentations included no concrete plan to improve the schools or to look at the budget for possible cuts. She believed AB 46 should go for a public vote of the citizens.

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8:06 p.m. There being no further business to discuss, on motion by Commissioner Weber, seconded by Commissioner Berkgigler which motion duly carried, the meeting was adjourned.

DAVID HUMKE, Chairman
Washoe County Commission

ATTEST:

NANCY PARENT, County Clerk and
Clerk of the Board of County Commissioners

*Minutes Prepared by:
Jan Frazzetta, Deputy County Clerk*