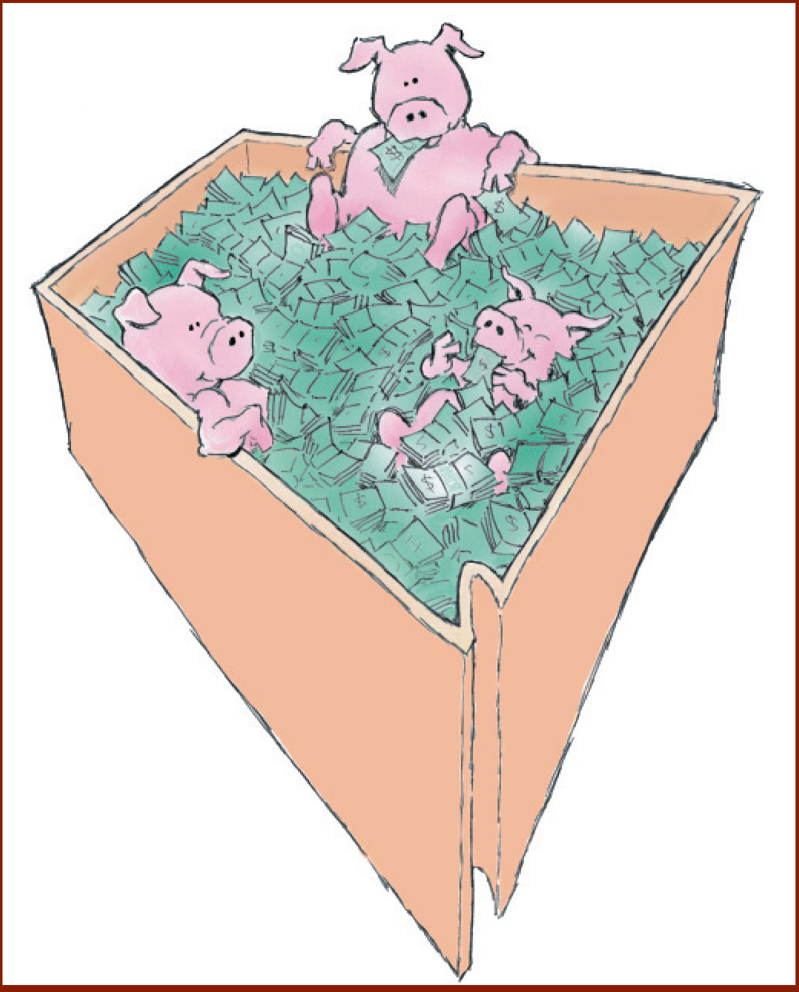
The Nevada Piglet Book 2010



by Geoffrey Lawrence

Introduction

Transparency in government increases accountability and reduces the potential for governmental corruption. That in turn can foster greater taxpayer confidence in elected officials. For this reason, the Nevada Policy Research Institute is committed to making Nevada state and local government information available, in user-friendly formats, to the people of the Silver State.

To accomplish this, NPRI annually makes hundreds of public records requests to state and local government agencies across Nevada. Much of the information received in response to these requests is made available as a free public service on TransparentNevada.com, NPRI's transparency website.

In the course of such work, many instances of government waste come to light. Indeed, notwithstanding Nevada's severely depressed economy and worst-in-the-nation unemployment, state and local governments routinely *continue* abuses NPRI documented two years ago, in the 2008 *Nevada Piglet Book*.

NPRI has been assisted in this effort by Citizens Against Government Waste, whose national insights and suggestions are appreciated.

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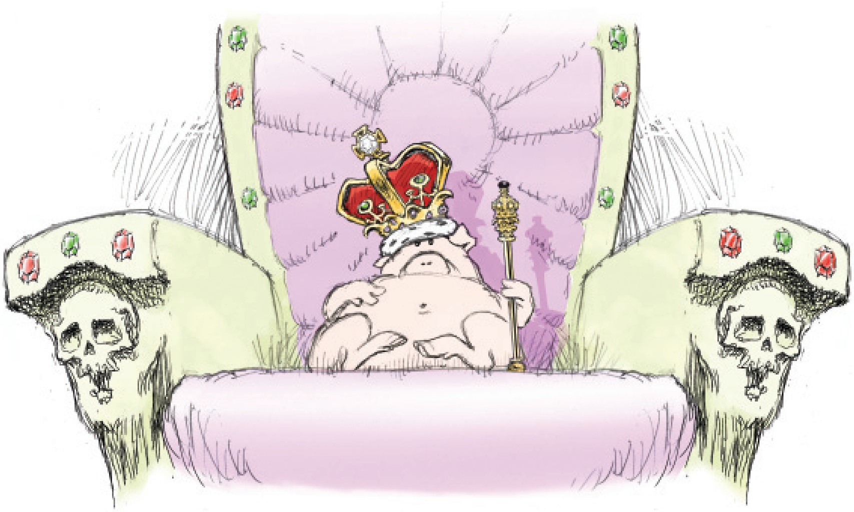
Return of the Feudal Class

For those who visit TransparentNevada.com and peruse the information there, one thing becomes immediately clear: Many public employees in the state receive compensation packages that are extremely generous – some, in 2009, in excess of $500,000.

In fact, a 2008 analysis commissioned by the Las Vegas Chamber of Commerce showed that the average public employee in Nevada is paid 28.1 percent more than the average private-sector worker doing similar work – even before



the exorbitant difference in benefits is considered.[1]

As former Clark County manager Thom Reilly said, "What has happened over the last 10 or 15 years is that the wages of the public sector have outpaced the private sector. *Just wages*. When you add benefits, it further exacerbates that differential."[2]

This pay gap between public- and private-sector workers continues to grow. Statistics from the state's Department of Employment, Training and Rehabilitation show that, from the first quarter of fiscal year 2008 to the final quarter of fiscal year 2009, state government employment increased by 5.43 percent, while total state government employee wages rose by 14.17 percent. In local governments employment increased by 5.97 percent, with total wages climbing 2.64 percent. In the K-12 education sector, employment increased by 16.08 percent, while total wages increased by 13.21 percent. Meanwhile, in the private sector, employment *fell* by 12.82 percent and total wages *fell* by 12.63 percent.[3]

Even compared to peers in other states, Nevada's state and local government workers are highly paid. A January 2010 analysis by the Cato Institute noted that state and local government workers in Nevada enjoy the third highest annual average salary in the nation, behind only California and

Connecticut.[4] Even states with dramatically higher costs of living, such as Hawaii, Maryland and Massachusetts, do not pay public employees as highly as they are paid in Nevada.[5]

While the traditional arrangement was that government employees accepted lower pay in exchange for more job stability, recent experience in Nevada and across the country demonstrates that public employees, like feudal lords of yore, enjoy lifestyles far richer than those of the taxpayers who are forced to support them.

Five-Alarm Figures

Raking in the most, among Nevada's highly paid public employees, are unionized firefighters in the Las Vegas Valley. In 2009, the *average* Clark County firefighter received a total compensation package of $172,898, composed of $129,476 in wages and $43,422 in benefits. Some firefighters received more than $400,000 in wages.[6]

The situation is similar in nearby jurisdictions. Las Vegas firefighters received an average compensation package of $174,261, including $123,427 in wages and $50,834 in benefits.[7] Henderson firefighters averaged $115,963 in wages alone.[8]

Meanwhile, pay for firefighters in Northern Nevada was significantly less. Wages for the average Reno firefighter in 2009 were $93,780[9] and for the average Carson City firefighter, $79,472.[10]

Pay for Southern Nevada firefighters also far outpaced that of their counterparts across the country. For example, New York City firefighters averaged wages of only $69,021 in 2009[11] – meaning that the average Clark County firefighter earned 87.6 percent more despite a dramatically lower cost of living.

Contributing to the high salaries is the fact that Clark County firefighters call in sick twice as often as other county

employees and roughly four times the rate of managers. Firefighters who are absent due to sick leave are replaced by firefighters receiving overtime pay. This system led to some Clark County firefighters receiving nearly $100,000 in call-back and overtime pay alone in 2009.

Clark County Commissioner Steve Sisolak publicly accused firefighters of intentionally coordinating sick days in order to maximize overtime opportunities. "They have figured out how to play the system to their benefit and take advantage of every single opportunity in their contract to maximize their pay and minimize the benefit to the taxpayer," he said.[12]

A June 2009 county audit showed some firefighters – just a week before retirement – took more than $2,000 in annual clothing allowances.[13]

Amid the public outcry provoked by extravagant firefighter pay in Southern Nevada, fire department officials have sought to sway public opinion in their favor during new contract negotiations. Las Vegas Fire Chief Greg Gammon sent a February 2010 e-mail to all LVFD staff, encouraging them to avoid "spending 2-3 hours a day at the gym like some crews do" and not to "abuse sick leave" during contract negotiations.[14] Notably, Chief Gammon did not condemn these practices in principle. He merely pointed out that negative public perceptions from these practices might translate into smaller pay

raises in the union's collective bargaining agreement.

The contract agreement eventually won by Las Vegas firefighters included a provision that would forbid the city from even examining the potential cost savings available from private providers of EMS services, a function which the highly compensated city firefighters currently monopolize.[15]

Do-Nothing Staff Stuff

Not only do some public employees in the Silver State draw a king's ransom, but conforming to feudal tradition, they do so without actually working. State auditors in the last two years have documented cases across multiple agencies of state workers failing to perform their assigned job functions.

Within the Unclaimed Property Division of the State Treasurer's Office, for example, staff auditors performed less than half of the audits required under performance guidelines. In addition, some of the audits produced no findings. As a result of staff auditors not performing their jobs adequately, said a legislative staff report, "rightful owners [of unclaimed property] may be denied their property."[16]

At the Department of Health and Human Services' Health Inspection Division, inspectors failed to do 40 percent of all required inspections of food service establishments in 2006, 2007 and 2008. In addition, 81 percent of food service establishments that were noted for "critical violations" during an initial inspection received no follow-up inspection to ensure that the problems had been corrected.[17]

The state Department of Public Safety's Division of Emergency Management (DEM) has failed to develop and evaluate emergency management plans as required. When asked by auditors, DEM staffers could not locate plans for 56 percent of state agencies, local jurisdictions, school districts, resort hotels and tribal nations. Said auditors: "The State has little assurance that all state agencies, local jurisdictions, schools and school districts, resort hotels, and tribes have prepared plans that meet federal requirements or will assist the entities in responding to emergencies."[18]

DEM also has failed to maintain an accurate database tracking the inventory of emergency equipment purchased by state and local agencies. The one employee maintaining the database retired in 2006, while the vendor that provided the system went out of business. DEM, lacking written instructions for updating the database, stopped entering data into it. As a result, the state has been unable to quickly identify locations of emergency relief equipment needed in disaster situations.[19]

Finally, the supervisor of the state emergency planner who was responsible for reviewing local jurisdictions' emergency response plans was simultaneously an officer in a corporation that develops such plans and sells them to local jurisdictions – an obvious conflict of interest. Although a complaint was filed, DEM management failed to report it to the department's Office of Professional Responsibility and no investigation was ever launched. DEM supervisors maintain that they did nothing wrong.[20]

Off-the-Books Accounting

The collapse of internal controls within the Department of Public Safety's DEM division is not the only instance of fiscal-management breakdown highlighted by auditors.

A review of the Department of Business and Industry's Division of Financial Institutions revealed that payments it received were stored in an unlocked safe to which all employees had access. Additionally, payments received and deposits into the division's account were not reconciled. The auditors concluded that, "theft or loss could occur and go undetected."[21]

Similarly, Clark County's Family Resource Center was cited for establishing an unauthorized petty cash fund that used unrecorded revenues. "Potential misappropriation of moneys was possible," said auditors, adding that if misappropriation occurred, "there would be no way to determine how much was taken."[22]

Charitable donations received at the Clark County Department of Financial Services to establish a haven for abused or neglected children may also have been subject to theft or misappropriation. According to auditors, $41,040 in donations was unaccounted for between January 2007 and June 2008, while "Internal controls were not applied to effectively measure, report or monitor all receipts of donated funds. The expenditures of donated funds were not adequately supported or, in some cases, properly authorized."[23]

Finally, between 2001 and 2006, Clark County's Parks and Recreation Department conveniently forgot to pay $3.9 million in residential construction tax refunds that developers were owed. [24]

First-Class Travel

State inspectors from the Division of Financial Institutions travel in style – actually, in whatever style they prefer. In 2008, three examiners traveled from Carson City to Elko for a bank inspection, each driving separately in his personal vehicle and later receiving mileage reimbursements. They all traveled on the same days and stayed in the same hotel. Mileage reimbursements to the three examiners totaled $1,113, but they could have taken a car from the state motor pool at a cost of $237.[25]

On a separate occasion, four examiners traveled from Carson City to Las Vegas for training. Instead of flying with the others, one examiner chose to drive his personal vehicle, costing taxpayers an additional $137.[26]

In addition, auditors found that many examiners were "estimating" mileage on their reimbursement forms instead of providing the actual number of miles traveled, resulting in excessive reimbursements. As an example, one examiner's monthly claim stated that he had driven 830 miles. The actual mileage was only 710.[27]

Put it on the Card!

Providing credit cards to public employees for necessary government purchases can often be an efficient means of reducing administrative costs, provided adequate controls are in place. In some cases, however, public employees run wild with government credit cards, using them for personal benefit.

Clark County, for example, provides some employees with credit cards for gasoline purchases. However, auditors found multiple instances of abuse regarding these cards in fiscal year 2009. Records show that 88 transactions were charged to the same employee's card within an hour, totaling $6,106 in gas receipts. Auditors identified 273 instances of fueling on county gas cards on days when the employee was absent from work, for a total of $17,397 in receipts. According to auditors, “the cards were used for unauthorized fuel transactions, PIN numbers are shared, or vehicles were taken home which is not in accordance with county guidelines.”[28]

County administrators have also taken a relaxed attitude about recollecting gas cards, allowing some employees to depart with them as an apparent retirement present. In fact, auditors highlighted 88 transactions over an eight-month span by two workers who were no longer employed by the county for a total of $7,154.[29]

Similar lapses have surfaced in the Las Vegas Metro Police Department. In one case, a lieutenant’s credit card was not cancelled until 18 months after he had retired. Metro officers have also used department credit cards to treat themselves to nice restaurant dinners. In January 2008, officers spent $394 on dinner at Lawry’s The Prime Rib. Although the Metro budget division deemed the expense inappropriate, no reimbursement was ever collected. Another officer purchased a subscription to the *Harvard Business Review* with a department credit card, explicitly against department policy.[30]

Although NPRI’s 2008 Piglet Book highlighted many such credit card abuses in state and local government, the situation has not been corrected.

Land of the Lost

Learning to keep up with expensive equipment appears frequently to be a challenge for public employees in Nevada. Huge items such as movable storage units and even streetlights are misplaced and forgotten when employees do not pay attention.

Clark County officials must have been relieved, then, in 2008, when they discovered an “extra” movable storage unit.[31] Perhaps their delight mitigated some disappointment: They had spent $4,800 to lease three other movable storage units from 2006-2008 before county auditors pointed out they could have purchased comparable units outright for only $2,400 in total.[32]

An approach that could help county workers keep track of equipment in the future would be to institute sound inventory control mechanisms. Auditors examining Clark County's Department of Public Works noted that its Roads Division does not maintain an inventory of its operating materials and uses an incorrect method for tracking streetlight materials, which increases the risk of improper usage or theft. Within every sampled inventory list of streetlight equipment, said auditors, they found discrepancies with regard to actual inventories.[33]

State workers also have their share of difficulties keeping up with equipment. Within the Department of Business and Industry, the Division of Financial Institutions lost three computers in 2008.[34] The Real Estate Division also lost three computer servers that were included on inventory lists, but management happily "explained" to auditors that two of the items were actually software programs that had been misreported as computers.[35]

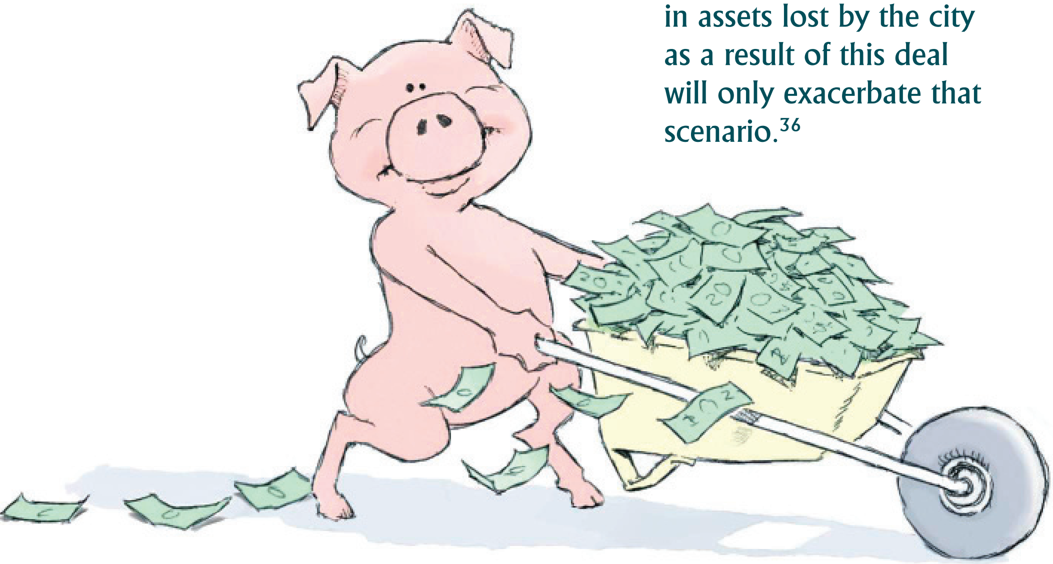
A Sweet Deal

Sweetheart deals are often the province of the well-connected. In Las Vegas, this is especially true. In April 2009, former Las Vegas City Councilman Michael McDonald purchased a 3.9-acre parcel from the City of Las Vegas for $1.3 million. Then, in a second transaction that was recorded at the same time, McDonald turned around and immediately sold the parcel to a supermarket chain for $3.1 million.

City officials knew that McDonald intended to immediately sell the land for substantially more than he was purchasing it, yet agreed to sell the parcel to their former colleague for less than the appraised value.

McDonald had already been convicted of violating city ethics laws involving a land deal while serving on the city council in 2000. At that time, McDonald had pushed for the city to purchase the Las Vegas SportsPark, partially owned by his employer.

The sweetheart deal granted to McDonald by the current city council is especially significant because the city faces a reported $80 million general fund deficit for fiscal year 2011 that could potentially require mass layoffs and a reduction of services. The millions of dollars in assets lost by the city as a result of this deal will only exacerbate that scenario.[36]



Wow, what a waste of money!

In 2008, Las Vegas officials were looking to "rebrand" the city's Union Park site, where they planned to subsidize a new mixed-use development, including a performing arts center. To develop a more appealing name for the development, the city hired a consultant.

For $110,000, the city was able to procure the services of a New Jersey firm that pledged to come up with a new site name within eight months. To conduct interviews with locals, the firm sent five employees to Las Vegas on a six-week junket. Learning that a strip of trees and grass to be placed in the middle of the proposed development would be named "Symphony Park," these visionary consultants decided to propose it as the new name for the entire development.

"It was a 'wow' moment," the lead consultant said. "The response was overwhelmingly positive." City officials agreed and adopted the name, which they already had, but now had acquired all over again for the mere cost of $110,000.[37]

Education Spending to Benefit Educators

During a February 2010 special legislative session, Clark County School District (CCSD) officials complained to state lawmakers about potential spending reductions. They failed to mention that between June and October of 2009, the school district spent at least $14 million on outside consultants and speakers.[38]

A year earlier, CCSD had contracted with Dale Erquiaga, an "Emergenetics" specialist, to describe the personality types of school board members in colors of blue, green, red or yellow. For this he received $84,000 plus $2,000 in travel expenses [39]

Had the Clark County School District not spent so heavily on frivolous consulting contracts, it might have been able to allocate more than 33.7 percent of its funds to instruction-related activities during the 2008-2009 school year.[40]

Statewide, school districts that receive grants under state Programs for Innovation and Prevention of Remediation have regularly skirted the laws governing these grants, reported state auditors. School districts spent at least $6 million in grant money in ways that were either counter to the law or state Department of Education policy. CCSD alone was responsible for $4.7 million of the sum. Districts spent a total of $580,000 on items that had been specifically rejected by the state commission charged with administering these grant funds, including a $200,000 expenditure by CCSD to purchase an educational software license.

Auditors also reported that school districts have used improper accounting techniques on financial reports in order to push expenditures into future years and reduce reversions of funds to the state. "Some schools and school districts," wrote auditors, "prepared accounting entries transferring expenditures between fiscal years, grants, and expenditure subcategories. In certain instances, these entries were made because expenditures exceeded Commission approvals." In addition, of the funds that were to revert to the state at the end of fiscal year 2006-2007, districts did not return them in a timely manner, resulting in $45,000 in lost interest earnings for the state. Finally, at least 128 items purchased with grant money from the once-ballyhooed SB404 "educational innovation" program have been lost, for unnecessary costs to taxpayers of at least $169,862.[41]

Country Club Government

Symbolic of the disingenuous nature of public spending campaigns in Nevada is the fact that, amid dire recession, and while simultaneously decrying the need for cuts to "essential services," local governments across the state continue to use millions of tax dollars to subsidize country club sports.

Public entities such as the cities of Henderson, Las Vegas and North Las Vegas, Washoe County and the Reno-Sparks Visitors and Convention Authority all own and operate publicly subsidized golf courses in Nevada. Under law, these golf courses operate as "enterprise funds," which means they are mandated to operate like businesses. However, each of these golf courses regularly incurs significant financial losses, which are then made up through the infusion of tax dollars. In fiscal year 2009, the five local jurisdictions operating publicly owned golf courses subsidized them at a cost of $4.7 million. This included:

- $1,618,319, City of Las Vegas[42]
- $1,565,613, Reno-Sparks Visitors and Convention Authority[43]

- $1,082,436, City of Henderson[44]
- $380,507, City of North Las Vegas[45]
- $85,747, Washoe County[46]

While local governments laid off workers and reduced core government services, they kept in place the regressive wealth transfer that is government-subsidized golf.

With an average household income exceeding $91,000, golfers are among the wealthiest Americans.[47] By contrast, the median Nevada household, which is asked to pay taxes in order to subsidize public golf courses, does so with an income of less than $56,000.[48]

Officials could have helped to offset the recent drop in tax revenue by selling the public golf courses to private investors. The courses could continue under private management, while local governments prospectively reaped more than $41 million (the total value of the five jurisdictions' golf courses).[49]

Golfers are not the only beneficiaries of the largesse that government gives elite sports. In 2008, the City of Las Vegas spent more than $400,000 providing tennis lessons,[50] while devoting an additional $658,000 to preparations for an event to be broadcast on the Tennis Channel.[51]

Balloons and BS in Las Vegas

Most residents of Las Vegas would be surprised to learn that their tax dollars can also purchase irony. A public-records request revealed that, in 2008, the city spent:

- $3,510 to hire "face painters" and "sparkle tattoo artists"
- $2,340 to hire a "balloonologist"
- $1,150 to rent inflatable "bounce houses"
- $710 renting costumes and hiring costumed characters
- $680 on balloons
- $179 on two separate orders of "Stinkin' Rich Steer Manure" (i.e., literal BS).

The City of Las Vegas has also spent lavishly to put on musical concerts and similar performances. Between January and October of 2008, the city contracted with 44 performers for a total of $90,381.[52]

Lobbying

One of local officials' favorite ways to spend tax dollars is to hire lobbyists to plead for even more tax loot.

During the 2009 Nevada Legislature, local governments in the Silver State spent $3.2 million to lobby lawmakers in Carson City over a four-month stretch. This included $951,324 spent by county governments, $1,061,473 spent by cities, and $509,337 spent by school districts. Special districts, such as the Southern Nevada Water Authority, also spent $618,191 on lobbying.[53]

The City of Henderson spent $287,360 on its 13 paid lobbyists, which included former Assembly Speaker Richard Perkins. In 2008, while concurrently serving as Assembly Speaker, Perkins also received $357,593 in total compensation from Henderson, as police chief.[54]

Space Cadets

Elected officials often name themselves to subsidiary governmental boards, commissions and committees. It's all part of their job.

In March 2009, however – as the Nevada economy was hurtling into the economic abyss – members of Henderson's city council came up with a provocative switch on the idea:

1) Form a nonprofit organization,

2) Appoint yourself to its governing board, and then

3) Give the organization $25 million in taxpayer funds.

By city ordinance, council members established a new nonprofit organization, the Henderson Museum Space and Science Center Board. Its purpose, according to the ordinance, was to "form a nonprofit organization to own and operate a museum/space and science center in the city of Henderson with a mission of raising public understanding of space, science, and technology..."

To run the new Henderson Space and Science Center and advise future city councils,[55] the then-council members named a 10-member board, four members of which were outgoing city officials. Mayor Jim Gibson and Councilman Jack Clark were lame ducks, termed-out members of the council itself. Two other city officials of high rank were retiring: Finance Director Steve Hanson and City Attorney Shauna Hughes.[56]

Three months later, a city council majority – Mayor Gibson, Councilman Clark and Councilwoman Gerri Schroder voting aye – adopted Resolution No. 3863, a "Gift Agreement" donating $21 million from the city's land fund (a capital projects fund) to the Space and Science Center and earmarking another $4 million for project infrastructure costs.[57] This $25 million commitment virtually emptied the city's entire land fund, save a few hundred thousand dollars.[58]

On July 7, 2009, a new city council voted to modify the agreement – unanimously voting to merely earmark the $21 million contribution, rather than donate the funds.[59] This allowed the city to retain the money in the land fund in case of emergency.[60] However, the funds are still encumbered by the gift agreement.

The initial March 17, 2009 resolution and gift agreement had stated that all city moneys (and interest accrued on those moneys) were to be used strictly for capital expenses. In July 2009, when new council members were discussing the amendment to merely earmark the $21 million gift, rather than immediately donate it, some also discussed allowing interest money to be used for the operational costs. Nevertheless, the second amended agreement, as approved and signed by the city and the museum, still indicated that city moneys would only to be used for capital and various costs incidental to the development and equipping of the center.

However, recent profit/loss statements of the museum reveal that, of the $234,000 received from the City of Henderson between September 2009 and June 2010, $151, 857 was used for operational and project costs.[61]

City representatives, confronted about the apparent misappropriation of public funds, told NPRI the amended agreement had "an inconsistency in language" and that the intent "always" was to fund museum operational costs. And on June 15, 2010, the Henderson City Council revised the gift agreement yet again, to now explicitly allow museum operational expenses to be paid out of interest on city land fund moneys.

Henderson city officials also turn out to be supporting the museum project with donations of city employees' time. From December 2009 through March 2010, three city staffers worked some 120 hours for the museum – an in-kind donation equal to about $6,230.[62]

Conclusion

As the 2008 *Nevada Piglet Book* noted, most wasteful spending by state and local governments in the Silver State is, for practical purposes, hidden from taxpayers. The obvious cure, therefore, would be more transparency in each jurisdiction, whether state, county or city.

Putting government spending "checkbooks" online and thus letting taxpayers see exactly where their money goes is a powerful, cleansing and entirely fair remedy that many states have already embraced. Nevada lawmakers, however, regularly reply that "we can't afford it" – a profoundly disingenuous excuse, given that the money saved through transparency and more citizen oversight far outweighs the cost of such websites.

For example: Since the Texas Comptroller's Office began putting itemized-expenditure data online in 2007, Texas taxpayers have realized $51 million in cost savings – simply by identifying areas of wasteful, duplicative or inefficient spending.

A September 2010 survey by Transparent Nevada revealed that, among legislative and other candidates, incumbent lawmakers were least likely to publicly support transparency and open-government measures.

This is important information that Nevada taxpayers, tired of government waste, should keep in mind as they confront elected officials and demand more accountability.

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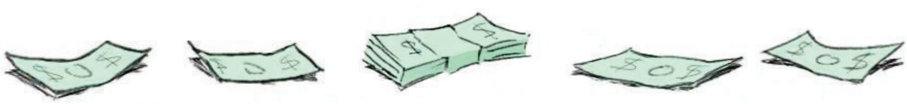

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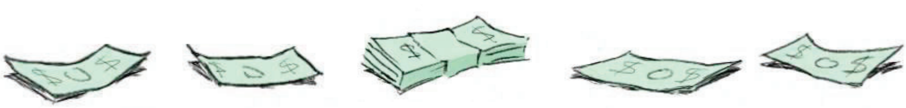

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