



City of Las Vegas

Office of the City Attorney
Civil Division

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March 5, 1997

Paul Larsen Esq.
300 S. 4th Street #1700
Las Vegas NV 89101

COPY VIA FACSIMILE TRANSMISSION

Dear Mr. Larsen,

I reviewed the second draft of our Memorandum of Understanding with the City Manager and it has been concluded that another change is required before it can be executed.

As you now know, aside from our original bidding problem with the currently designed Water Distribution System, further analysis of our obligations under the contract has persuaded the City that our contractual responsibility to build is clearly limited to a far less expensive low pressure water system. I think our position in this regard is adequately covered in the current language of the Memorandum---we do not need to debate the issue now. Nevertheless, there are repercussions to the construction of the system your client wants which must be acknowledged in our Memorandum.

The plan of action contemplated by the Memorandum will leave us with a facility on our property which will cost us \$95,000 more annually in electrical costs to operate than the system we believe should be built. I assume maintenance of the high pressure pumps is more costly than the low pressure system. Further, even if they are sturdy and long-lived, I suspect they do not have a fifty year service expectancy. The pumps Mr. Walters requested cost almost \$200,000 each. As you can see, even if the City prevails in future negotiation or litigation of our construction contribution obligation, we stand to suffer millions of dollars of additional costs because Mr. Walters got the high pressure system placed on our property. We must add to our Memorandum, as an item of expense to be settled in the future, the costs to the City of operation and maintenance of the enhanced system. The City Manager will not sign the memorandum without this provision. Please draft an addition to the

text of paragraph 2 covering these items and call me to discuss the language.

Finally, for the reasons set forth above, this understanding has a potential fiscal impact upon the City which exceeds the maximum authority which has been granted to the Manager. The Mayor and the City Council members have no independent authority to make commitments on behalf of the City---a vote of the Council is required. I do not mention this to hint that I have knowledge of some disinclination to follow through with the scheme set forth in the Memorandum---the Mayor and the Manager believe this is a reasonable solution to the current problem. We must, however, have the Memorandum reflect the possibility that the City Council will not authorize this course of action. No one may act in their place and the matter cannot be considered by the Council before March 23rd. I have drafted an addition for the Memorandum on the attached sheet.

Sincerely,

John Redlein
Chief Deputy City Attorney

****ADDED AFTER TRANSMISSION--THE DATE THIS LETTER WAS SENT WAS 3-6-98*

Attachment