

**MINUTES OF THE CHURCHILL COUNTY BOARD OF COUNTY
COMMISSIONERS**

155 No. Taylor Street, Fallon, NV
Fallon, Nevada
04 December 2008

CALL TO ORDER

The regular meeting of the Churchill County Board of Commissioners was called to order at 8:15 a.m. on the above date by Chairperson Washburn.

PRESENT: Gwen Washburn, Chairperson
Lynn Pearce, Commissioner
Norm Frey, Commissioner
Rusty Jardine, Deputy District Attorney
Robert Erquiaga, Deputy District Attorney
Brad Goetsch, County Manager
Alan Kalt, Comptroller
Pamela D. Moore, Commission Secretary
ABSENT: Kelly G. Helton, Clerk of the Board

Pledge of Allegiance

It was verified that the agenda for this meeting was posted in accordance with NRS 241.

ACTION ITEMS

AGENDA

Commissioner Frey made a motion to approve the Agenda as submitted. Commissioner Pearce seconded the motion, which carried by unanimous vote.

MINUTES

Commissioner Frey made a motion to approve the Minutes of the regular meetings of October 2, 2008 and October 15, 2008 as submitted. Commissioner Pearce seconded the motion, which carried by unanimous vote.

PUBLIC COMMENTS

Chairperson Washburn inquired if there were any public comments on issues that were not listed on the agenda.

Social Services Director Ernst said that she was notified November 25th that the Public Health Nurse lost their receptionist due to lay offs. This position is one that we fund, along with the Public Health Nurse, Rose Lorentzen. After working with Pam Graham at the state and with Rose, we were able to get that position reinstated as of today. The state is looking at the possibility of doing away with that position in the future but we will continue to educate them that we are paying for both positions and that we need to be notified if they consider changes in the future.

Eric Grimes, Executive Director of Churchill Economic Development Authority (CEDA), said that he was notified yesterday from the Nevada Commission on Economic Development (NCED) that all supplemental grant funding has been cut in the state

budget cuts. CEDA did not count on supplemental funding, so it will not affect their current budget but it will affect a program they are working on, which is the Angelou Study for the defense industry. They are getting their defense industry support council going. They are now looking for alternate sources to get that funding but they can't count on the state for that \$32,000 that was cut.

APPOINTMENTS

THE BOARD MAY REQUIRE THE PROVISION OF AN OATH OR AFFIRMATION BY ANY PERSON PROVIDING ORAL TESTIMONY AT A PUBLIC HEARING.

8:15 a.m. Public Hearing – Consideration and possible action re: Bill 2008-J, Ordinance 103, an Ordinance approving the Development Agreement between Hendrix Ranch and Churchill County, Eleanor Lockwood, Planning Director.

TITLE: AN ORDINANCE PROVIDING FOR APPROVAL OF A DEVELOPMENT AGREEMENT BETWEEN CHURCHILL COUNTY, NEVADA AND HENDRIX RANCH

SUMMARY: NRS 278.0201 PROVIDES THAT A GOVERNING BODY MAY ENTER INTO AN AGREEMENT WITH A PERSON CONCERNING THE DEVELOPMENT OF LAND AND APPROVE THE SAME BY ORDINANCE. THIS ORDINANCE PROVIDES FOR APPROVAL OF SUCH AN AGREEMENT WITH HENDRIX RANCH RELATING TO THE HENDRIX RANCH CLUSTER DEVELOPMENT IN CHURCHILL COUNTY, NEVADA. THIS ORDINANCE ALSO PROVIDES FOR RELATED MATTERS.

Planning Director Lockwood reported that the board approved a tentative parceling map for the Hendrix Ranch Cluster Development in September 2000. The development included 9, one-acre buildable lots and an agricultural reservation of 79.4 acres. The Agricultural Reservation deed was recorded in February 2001. Three subsequent parcel maps were approved by Churchill County in September, 2005; an extension was granted until September, 2008. Pursuant to the provisions of NRS 278.360(1) and 278.0201(4), a Development Agreement adopted by ordinance may extend the time for filing or recording final maps. The Development Agreement was provided for review extending the time for recordation of the three parcel maps and allowing for possible future extensions.

Chairperson Washburn asked for public comment but there was none, so the matter was opened to the board for discussion.

Commissioner Frey said this is becoming standard with our economy as it is.

Commissioner Pearce made a motion to approve Bill 2008-J, Ordinance 103, a Development Agreement between Hendrix Ranch and Churchill County. Commissioner Frey seconded the motion, which carried by unanimous vote.

8:25 a.m. Public Hearing – Consideration and possible action re: Bill 2008-K, Ordinance 103, an Ordinance approving the Development Agreement between Priceless Realty/Vida Keller and Churchill County, Eleanor Lockwood, Planning Director.

TITLE: AN ORDINANCE PROVIDING FOR APPROVAL OF A DEVELOPMENT AGREEMENT BETWEEN CHURCHILL COUNTY, NEVADA AND PRICELESS REALTY.

SUMMARY: NRS 278.0201 PROVIDES THAT A GOVERNING BODY MAY ENTER INTO AN AGREEMENT WITH A PERSON CONCERNING THE DEVELOPMENT OF LAND AND APPROVE THE SAME BY ORDINANCE. THIS ORDINANCE PROVIDES FOR APPROVAL OF SUCH AN AGREEMENT WITH PRICELESS REALTY RELATING TO THE VIDA KELLER PARCEL MAP (TCID #06-042) IN CHURCHILL COUNTY, NEVADA. THIS ORDINANCE ALSO PROVIDES FOR RELATED MATTERS.

Planning Director Lockwood reported that the board approved a parcel map for Vida Keller in October, 2006. The parcel map consisted of the creation of 4 parcels. A grade gravel road from Highway 50 through parcel 4 was a requirement of recordation. The board approved a one year extension on the parcel map. However, due to the downturn in the economy and increased construction costs, the developer has been unable to complete construction of the road. Pursuant to the provisions of NRS 278.360(1) and 278.0201(4), a Development Agreement adopted by ordinance may extend the time for filing or recording final maps. The Development Agreement was provided extending the time for recordation of the parcel map and allowing for possible future extensions.

Chairperson Washburn asked if there was any public comment but there was none.

Commissioner Pearce made a motion to approve Bill 2008-K, Ordinance 103, a Development Agreement between Priceless Realty/Vida Keller and Churchill County. Commissioner Frey seconded the motion, which carried by unanimous vote.

8:30 a.m. First Reading - Consideration and possible action re: Regulated Local Tariff #50, Robert Adams, General Manager, CC Communications.

Lorrie Ford said that the proposed tariff changes are for service maintenance to revise labor rates for service charges for the construction rate from \$70 per hour to \$80 per hour, PBX rate from \$80 per hour to \$85 per hour, and to change computer programming rate from \$120 per hour to \$100 per hour. This is the first reading and the second reading will be considered at the December 17th meeting.

Chairperson Washburn asked if there was any public comment but there was none.

Commissioner Pearce made a motion to set the second reading of Regulated Local Tariff #50 for December 17, 2008. Commissioner Frey seconded the motion, which carried by unanimous vote.

8:35 a.m. Consideration and possible action re: Tentative Parcel Map, Franklin & Joyce Wadsworth (TCID#08-027, Crook Road), Eleanor Lockwood, Planning Director.

Planning Director Lockwood reported that a letter was received from NAS Fallon requesting acknowledgement of the property being within the 70-75 LDN and Accident Potential Zone II. The subject property is located on South Crook Road between Highway 50 and Stark Lane in the AICUZ. The lots will be partially water righted. As per state and county policy, we forwarded this map to several entities, including the Nevada Department of Transportation (NDOT) and they do have concerns. NDOT submitted a letter dated September 8, 2008 requesting further recommendations or requirements. A letter from the U.S. Dept. of the Interior, Bureau of Reclamation, dated

September 10, 2008 was also submitted with requests. This matter was originally scheduled on October 2nd but was continued to allow county staff to meet with the Navy and the property owner to try to reach alternatives for the development of the property.

County Manager Goetsch stated that the board assigned him to speak with the owners and staff had a series of meetings with the property owner, their real estate representatives and the Navy. The owner is looking at all options for the development of his property. His true purpose and real desire is to place the property in a conservation easement if he could get what he thought was the appropriate value for the land. As he pursued that goal, he also wanted to have a tentative map brought forward and go through this process so that he could assess through the real estate market to see what the property was worth if he chose to go in a different direction. We worked with him, talked about the County's Master Plan, what most of the neighbors in that area are doing, and about what the Navy's goals were. There are no laws or policies to preclude him from doing a tentative map or from subdividing his land. Again, it goes against both the Navy's goals for that area and the County's Master Plan. In the end, he believes that we will be able to come to some kind of agreement on a conservation easement. He thinks that is really his preference. It may not be immediate, depending on land prices but over time, he thinks that the County will be successful in getting this property into a conservation easement. If this tentative map is approved, the owner has one year to make improvements on the land and to bring a final map forward. He asked Planning Director Lockwood if that is correct. She replied that he has one year in which to present a final map or a parcel map and then that map has one year to record but he has an option of a one year extension on the tentative map. County Manager Goetsch said that if this is approved, it will begin a two year timeline for the owner to look at his options and decide if he would put in all of the improvements, which would be all of the roads, bridges, street lighting, crossings, mapping and surveying. The costs for that would probably be in the millions of dollars. This doesn't coincide with what the County's long term goals or Master Plan have been but it does meet the zoning and other requirements that are on the books. He would recommend that the board approve this tentative map, noting that it is a difficult situation and would have the sound attenuation requirements and other things that are required for planning and zoning if he decides to go forward. He would also recommend that the board assign staff to work with the owner to work toward a better resolution of a conservation easement to keep this nice land in agriculture in that location.

Chairperson Washburn asked if there was any public comment but there was none. She stated that she knows that it meets our codes as they exist but she tends to think she wouldn't vote to approve it, although she has no legal standing to do so. It does go against our Master Plan for that area but she understands the owner's need to explore all of the alternatives and get the highest value for his property.

Commissioner Frey commented that, very similar to issues that we saw last year with the Truckee Canal break, approving these developments may pose a liability for the County. He asked legal counsel if we could demand that a notice be placed in the deeds to these parcels that may or may not be created putting the buyers on notice that that they are in the potential crash zone. Civil Deputy District Attorney Jardine said we have a right and a duty to do so. Commissioner Frey said his point is that he doesn't want the County to incur a liability if a parcel is created in the future, a home is built, and then an accident occurs. He doesn't want liability to come back upon the County. We have done

our due diligence, we recognize the potential, we have set in place programs for people to achieve value out of their property without development, and we have an obligation to put that notice on the deed.

County Manager Goetsch stated that this property lies directly north of the main runways at NAS Fallon where the planes begin their climb out. It is in about the 65-100 decibel range. We know that we have airplanes coming to NAS Fallon in the future that are louder than the current airplanes are, so it will be even higher in the future. A portion of this property is covered by the Navy's Accident Potential Mapping Zone that says that there is a higher likelihood of crash of military aircraft during take off and landing than in other regimes of flight. Part of this property lies under that area that has the higher potential for crashes to take place statistically than other areas. The issue and the worry is that if we allow the public to parcel and to build higher density homes there, there are more people that are put at both a hearing risk from loud noise and that would begin to then complain about the base. Those kinds of conflicts and complaints have caused bases to be closed in other areas of the country. It might also be an actual physical danger if there were to be a crash in the area that the Navy says is more likely to have a crash. We struggle with this and how do we advise the public and make sure that we don't generate these conflicts and these dangers but, at the same time, how do we let people execute their own freedoms and do what they will with their own properties?

Commissioner Pearce said he knows most of training that is done by NAS Fallon is electronic but we still do some live ordnance exercises. He attended an encroachment seminar some years ago when Brad was still Commander at NAS Fallon. At that seminar, they were able to watch the encroachment where it slowly, subtly occurred at Nellis Air Force Base, to the point where, all of a sudden, they couldn't use one of their runways for live ordnance anymore. The final straw almost came in to preclude them from running any ordnance, which would have meant that the effectiveness of the base would have been greatly diminished. How does this parcel or are there other adjoining parcels who, if we take an action like this today, can turn around with action like this that may preclude the base from having ordnance exercises at NAS Fallon? Although Mr. Wadsworth may desire to do a conservation easement, we don't know what will happen in the future. If we approve a tentative map and then another developer comes along and sees an opportunity, we could have problems. This really concerns him.

County Manager Goetsch said Nellis Air Force Base brings in about \$2.5-\$3 billion per year into the Nevada economy. When that encroachment and complaints caused the southern runway to be closed to taking off with ordnance to the south out of Nellis, the Air Force began to look at other locations to move that entire base because of the impact to training and what they thought would be the future conflicts with the public. That is a startling thing. The base here brings in much less, around \$200-\$250 million, but that is still a pretty good chunk of money for northern Nevada. Between Nellis and NAS Fallon, the Air Force and the Navy drop 80-85% of all world-wide practice ordnance at these 2 bases in Nevada, so we have a profound impact on national security and on the training for the entire service base of both those service branches and the Marine Corps. Some of that concern is valid. The main runway provides take off to the north, so if for some reason there were a weapons accident or a crash in that zone and there were suits or things that brought so much heat that they closed down ordnance taking off from the northern runway, he thinks that would be the death knell for NAS

Fallon and would make the Navy have to think about moving that base to some other location. Again, he can't speak for the Navy but in his experience on the Joint Military Affairs Committee in the past and those discussions, that is his thought and that is part of why the Navy and the County got together to create this conservation effort and why the Navy is willing to fund to such a great extent the purchase of these conservation easements. We are still working with the property owners and the board may have another opportunity in the future when the final map comes before us to consider and discuss this again. We have more time to work with the land owner in the future. The appraisal on this property has been ordered and it will be done in a couple of weeks. Staff will continue negotiations with the land owner for a conservation easement and to keep the property in agriculture.

Chairperson Washburn asked, with the last statement made by Brad, is there an urgency to approve this today or can we put it onto another Agenda. Planning Director Lockwood replied that she thinks there is some urgency as the property owner wants to see, with another appraisal, what the value would be and if there would be a different value if he has an approved tentative map. The sooner we get this approved, the sooner we can come to a point where he is either willing to negotiate or that he is not and, therefore, what other avenues are available to us to further discuss this with the property owner to try to maintain the agriculture there.

Commissioner Pearce asked if we approve this tentative map today, what legal options do we have to not approve the final map. In other words, with the final maps it generally provides that we can negotiate the conditions. He can't remember a time when we approved a tentative map and then said no to a final map. Once we start down the slippery slope, he can't see how we stop. He wished that he had the overhead maps from that encroachment seminar because it was such a subtle change that occurred and then it required the closing of the runway to the purpose it was intended for. He has a real concern about that. He also considers the noise abatement issues associated with commercial airports. Houses are allowed but the people then sue, even though they knew about the airport when they purchased the home and the airport always loses. In this case, he wants to make sure that we hit them over the head with a notice when they purchase any of these parcels. What happens then when they turn the property over to somebody else? That is where everything falls apart.

Planning Director Lockwood said, from her experience, all the maps approved by the board at the tentative stage, obtain approval for the development to move forward, provided that it is in compliance with all codes and/or the conditions that the board places on that map. If the board approves this tentative map, then the developer has the right to move forward, provided that he or she complies with all conditions placed on the map. With properties surrounding NAS Fallon or the Fallon Municipal Airport, there are requirements for various notes or certificates to be placed on final maps to alert the property owner that there is noise, aircraft, and building requirements. Perhaps, in this situation, we could add to the conditions on the tentative map that the notice be extended by something in the deeds that states that they are under the crash zone etc. and that such notice must be maintained within the title of that property as it passes down so that we can cover all the bases and provide full notice to every property owner. She also hears Commissioner Pearce's comments that he would like staff to identify property around NAS Fallon that is within the potential crash zone, especially, and others that have the

potential for development and then to come back to the board as we continue to work with the Navy to try to get conservation easements on those particular properties but, perhaps, to work with our ordinances to develop something that minimizes the liability both to the County and the Navy in the future. Commissioner Pearce said he didn't realize he said that that well but that is what he is looking for. It was a real eye opener for him to see the encroachment around Nellis and he can't believe that the Clark County Planning Commissioners allowed that to happen. In real time it didn't appear like anything was happening but when they put it up on the screen and flashed every ten years, you were able to watch that growth march in and, all of a sudden that base was essentially rendered useless. This tentative map goes against our Master Plan, so what is our Master Plan good for? Certainly it is a living document and we can change as conditions and times change but he is concerned that this flies in the face of what our Master Plan says. The board doesn't seem to want to approve this but what choice do we have to not approve it? It opens the door for the other parcels that Planning will identify for the board in the future to do the same thing. Why would anyone want to build in a crash zone under a take off and landing area, yet people do it all the time.

Chairperson Washburn said we talked about putting all of these conditions on this map, which we can do, but people will still build and it won't stop the encroachment. The encroachment is the issue, not the conditions on the map.

Civil Deputy District Attorney Jardine said, as we look at our Master Plan, it provides for a process of sustained and reasonable growth in another area of our community but it does not prohibit the kind of development that we are talking about here. That is the difficulty, from a legal perspective, in saying that, under circumstances, we simply won't permit this kind of development to go forward. How is that to be dealt with? Under these circumstances, it is within the prerogative of Churchill County to exercise its broad police powers under its Development Code and under Chapter 278 of NRS to impose restrictions and conditions upon such development to ensure that it goes forward with full notice of all of those things which will affect the properties around the base. In that connection, we do have greater latitude with which to go forward and impose things on this property particularly that we do not apply in other areas of our community. That having been said, where does that leave us? It leaves us right back where we started. We have a difficult decision here and one not made easy by the fact that we have someone who is interested in seeing the highest and best use of his property. People have a right to do that, subject to reasonably imposed conditions. These conditions would seem reasonable and a court would honor all such conditions. Now, the tough decision—can it be prohibited? The answer is no, not under our code. Can it be very restrictively dealt with in terms of its development potential? That authority is within our policing ability. That brings us back to where a difficult decision must be made.

Commissioner Frey said we are responsible here for making the difficult decisions and we will make the decision. However, he feels that the County, in its position with upholding its desire to leave this area open for Navy, we still have to deal with the issue of the potential of creating a takings. Nobody has said that word today. He feels that there is a threat out there today that we would be sued for takings if we do not approve this under our current code. That is why he believes it would be exceptionally necessary to put a notice in the deed that would leave the liability for noise

or for safety from Navy aircraft up to the property owner themselves and not bring it back on the County or Navy. That is the only way that he could approve this tentative map. It is one of those situations where you know there is a potential for a problem to exist and, some days, you just have to make a decision and move forward with what you have to do.

Chairperson Washburn said this is one of the situations that no matter what decision we make, it will be wrong. The potential for a lawsuit is there and, again, the codes are written to where she can't see how we can legally vote against it. The private property rights come into play and he has the right to do what he pleases with his property, even though it doesn't fit within our Master Plan and it has the potential to shut down this major military installation that brings in millions of dollars to our community in the future. What is the economic benefit of that base in comparison with the 40-45 homes that are being approved here. Those are really hard questions for us to deal with today. Again, she comes back to the private property issue and no matter what we do, it is the wrong vote.

Commissioner Frey made a motion to approve the Franklin & Joyce Wadsworth Tentative Parcel Map (TCID#08-027, Crook Road), subject to:

- **Compliance with all provisions of Churchill County Code, including water right dedication,**
- **Recommendations of County Road Department regarding construction of paved roads and bridges, certification of existing roads and bridges, and encroachment permits when final maps are submitted,**
- **Recommendations of County Building Department regarding septic systems when final maps are submitted,**
- **Recommendations of Truckee-Carson Irrigation District regarding irrigation facilities when final maps are submitted,**
- **Recommendations of TCID and Bureau of Reclamation regarding permits for drain and canal crossings when final maps are submitted,**
- **Recommendations of Fallon/Churchill Fire Marshal regarding existing and proposed bridges and crossings when final maps are submitted, and**
- **Recommendations of Nevada Department of Transportation.**
- **A deed notice being attached to each deed for each parcel that is created by this tentative or future parcel maps notifying the property owner that they accept responsibility for noise and safety from military aircraft.**

Commissioner Pearce seconded the motion, which carried by unanimous vote.

8:45 a.m. Consideration and possible action re: Presentation on cooperative programs between the County and the USGS, Lari Knochenmus, Deputy State Director Nevada Water Science Center of the USGS.

Lari Knochenmus provided an update on the cooperative program between the county and the USGS. There are 3 projects with the county: (1) Newlands ground-water monitoring for levels and quality in a data collection effort that has been ongoing since 1994; (2) Understanding the occurrence and mobilization of Polonium in Lahontan Valley is an interpretive study resulting in a written report, which project commenced in late 2008; (3) Describing the hydrogeologic framework, quantifying ground-water discharge, and characterizing the water quality in Dixie Valley in an interpretive study resulting in a written report. The project will formally commence in early 2009. She provided a Power Point presentation outlining the cooperative programs.

With regard to the ground water monitoring program, data has been published in Scientific Investigations Report covering data collected 1994-2001. Data collected since that time is in their database. There are 58 wells monitored monthly, quarterly and yearly depending on the well site. The trends in water levels are mostly static, meaning that they fluctuate but there is no trend in either rising or falling water levels. There are a few wells in the shallow to intermediate aquifers that have declining water levels and there are a few wells near Stillwater that have rising water levels. Both the declining and rising water levels are related to changes in surface water. So, in the areas that have been removed from irrigation, there is no longer surface water being put into that area so you don't have that infiltration to recharge water levels. Therefore, you are seeing slight declines of less than 5 feet, usually around a foot. The rising water levels at Stillwater have to do with the increased water rights and higher water levels in the canals which act to recharge the ground water system. There are a few wells that have gone dry in the east. The Project Chief is negotiating to place new monitoring wells in an area near the base. They are trying to figure out where the wells should go and how to fund putting them in. Another reason there is interest in putting them in that location is that there have been some changes in irrigation. One of the purposes of this project is to look at water level changes as the land uses are changed.

Another project is studying the occurrence of Polonium in the Lahontan Valley. Polonium is a naturally occurring result of radioactive decay of uranium, which is found in granitic rocks from the Sierra Nevada that get transported to the Lahontan Valley through erosional processes. Polonium normally binds strongly to sediments but it can be released into the ground water by sulfate-reducing bacteria. Many people expected it to bind to sediments and were not expecting to find it in the ground water system. By looking at the level of alpha radiation, it could not all come from uranium. When they sampled for what the concentration of uranium was, that was when they began to start looking for other sources. However, Lahontan Valley is not unique and there are many aquifers that have uranium and sulfate-reducing bacteria. So, Polonium might be more common than originally thought. In fact, they have found it in Maryland, California, and Florida. The USGS is pursuing a national program through their national water quality program already in place to see if they can figure out why you find it in certain areas and if it is in more areas that we haven't looked at before. They are currently attempting to start a national program like that and will probably get funding this year from the national program to come up with a work plan to do this new program in a systematic way across the country. In 2009, they started this program and the main objectives are to delineate the spatial distribution and determine the factors that mobilize Polonium 210 in the ground water, to create a geodatabase that shows where the concentrations of Polonium

are, and other chemical constituents of interest and relevant hydraulic information, which would be in a map type of series of these type of coverages to compare amongst different perimeters, including things like where you have sulfates because they talked about the sulfate-reducing bacteria, which might of interest as one of the mechanisms for mobilizing the Polonium. There were 28 wells sampled this fall and of those wells, 2 were municipal wells and 26 were domestic wells. So far, 58 wells have been sampled since April 2007. The funding for this project for this year is about \$200,000, nearly equally split between the USGS and Churchill County. The Carson River was sampled to see if there was any potential for it to have Polonium and then for it to give it back in areas of losses of water from surface water to the ground water system. That was very, very low, which was a good thing. In municipal wells, there were 2 basalt wells that have been sampled and one intermediate well. There have been 4 domestic wells that were less than 50 feet deep that were sampled, 11 with the depths between 50 and 100 feet, 32 wells between 100 and 150 feet, and 8 wells that are deeper than 150 feet. In addition, there was interest in seeing if, in a certain location, would you have differences between a deeper and shallower system. Within these domestic wells that were sampled, there have been 4 paired wells that were sampled with typically about 100 feet of separation depth. The results of the 28 wells that have been sampled have been shipped to the laboratory for the analysis to be conducted and they expect to get the results soon. They have gotten the results from the two County wells that were sampled at Sand Creek #1 and the Wastewater Treatment Plant. Both of them had less than 1 pico-curie, which is much less than the Canadian standard for health for Polonium since there is no EPA or drinking water standard for Polonium in the United States.

County Manager Goetsch said that the results on those wells were extremely low, like .4, .05, and .35. That was pretreated water from the depth of the well. After treatment, there is no detection whatsoever. Commissioner Frey asked if there is any anticipation of studying Polonium in the irrigation water that comes down the Carson River to our community that would indicate that we are adding to the problem or taking away from the problem by putting water on our land that is more pure than what is in the ground at this point. He asked if there is any expectation of doing studies in other communities upstream on the rivers. Ms. Knochenmus replied that the studies are predominately in this area but they hope to do a national study that would encompass these other areas. They do not think that there will be Polonium but they are not sure because nobody has ever studied that. That is one of the reasons why they are highly interested and they have the ear of the national office of USGS. The Director just wrote a briefing paper for President-Elect Obama to know that this is something of great interest and something that we should be interested in funding at the national level because it is just like other things in the past that people didn't realize were problematic because they had not looked for them before and then, all of a sudden, it was everywhere. That is one of the reasons they find it interesting to look and if they do find that it is in a lot of different places and can understand why it is in these places, then they can come up with a plan on how to change things. There are some experiments being conducted to see if there is a way to change the condition for the bacteria so that they are not doing their thing so the Polonium is not being mobilized. There are lots of ways to look at it. They really hope they get the opportunity to look at it on a national scale. She demonstrated an overhead map that showed the distribution of the wells, including the old and new wells.

The map also depicted the higher concentrations of Polonium. One of their goals is to see if they can better delineate where they think the Polonium is located.

The final project that has just gotten underway, which will begin in earnest in January when the contract has been finalized, is the study of water resources in Dixie Valley as a potential resource for Churchill County. Things that they need to study is how much the perennial yield is, is the water quality acceptable, how good is it, and will pumping impact existing users. This is a collaborative project between Churchill County and its consultants, Chris Mahannah and Interflow, the Bureau of Reclamation, another consulting firm called Hydrobio and the USGS. This is a new area for USGS to go into and to have these partnerships that will share the data. USGS is tasked with understanding what the hydrogeologic framework is, ground-water discharge estimates and water quality. They will study what the distribution of units are that act as aquifers versus confining, to know what the direction of flow is, the potential for interbasin flow, and the quantity of interbasin flow from the Dixie ground water flow system. The Dixie ground water flow system includes all of the hydrographic areas, such as Eastgate, Cow Kick, Fairview, Pleasant Jersey and the largest being Dixie Valley itself. USGS will be looking at that whole area but most of the effort will be in Dixie Valley itself. Because they believe that there is flow between these valleys back to Dixie, they do need to understand their relationship as well. They will also be looking at the ground water discharge estimates, which is typically what is used to come up with perennial yield available water supply and, of course, the water quality aspects. The ground water discharge will be approached by setting up 4 Eddy-covariance ET stations, quarterly chamber measurements, soil physics, local precipitation, plant and soil isotopic water sourcing, and basin scale extrapolation. Some new research being conducted at the Amargosa Desert Research site for several years now are quarterly chamber measurements. This would allow for them to look at a bunch of different spots that have a dome over bare soil or over a plant for just about one minute because once you put the dome over that it is no longer in its natural environment and it starts to change but you can then measure evaporation from bare soil or the transpiration by the plants. They hope to gain from that the understanding of heterogamete, particularly of the playa. Understanding how the playa responds and how much transpiration goes on in the playa is not well known. There is a very large playa in Dixie Valley. It appears to be highly heterogeneous: wet parts, dry parts, salt crusted and they do not know what that salt crusting may do, such as whether it inhibits the evaporation by blocking the surface. This is something that will be very valuable. They will have 4 of those domes out on one day at various sites so that they will have a snapshot. This will be continuous data so that they can have that comparison between those two. One will be able to move around to get the spatial coverage and then understand how it functions relating to the ongoing continuous data. They will also be looking at swirl physics, which means they will look at the movement of water up through the unsaturated zone. With these neutron probes, you will be able to see the directionality; is water moving vapors up through the system or down so that we can understand about gradients to understand what is coming up from the ground water system versus what may be happening locally on top that will not be the numbers. All that can be separated out from true ground water discharge, which is a number they are trying to get at. In addition, there will be plant and soil isotopic water sourcing, where you take the plants and you smash them up and then measure the 018,

016 ratios and you can then talk about sourcing—is it a ground water source because you can compare it back to what we know about the isotopic properties of ground water versus the surface water or the local precipitation because they will have precipitation samples that are compared. It will be the same with taking soil samples taking the cores and looking at them in that way. To extrapolate out to the basin scale, remote sensing will be used. Quite a bit of the remote sensing will be done by the Bureau of Reclamation. Once you can look at what you have through remote sensing, you'll take the vegetation and the bare soil and make what is called ET units. That will be like a sort of classification system of dense vegetation versus moderately dense versus sparse for example. They will also have the numbers because of these Eddy stations and the domes they will have a rate to apply. They will have the units, apply rates and then calculate it all up for the area. In the water quality aspect, the goal is to characterize the water quality from existing data and to fill in any kind of data gaps that they might have with biannual field sampling, evaluate the potability looking at the drinking water standards and then also looking at trace elements such as arsenic, Polonium, Tungsten or things that might be problematic for a water supply. They will also look at the geothermometry aspects to understand the relationship between the shallower potable water and the deeper geothermal waters and what is their interaction and making sure that we are not creating any problems in that area.

County Manager Goetsch said between the studies that the board just heard about, Churchill County probably has more going on and will know more about our water than any where else in the State of Nevada. The State Engineer is also part of this study by offering time from one of their engineers for the next 4 years to work with us on this. That is kind of unprecedented also. We have BOR, USGS, a number of local and national consultants and the State Engineer involved in these studies. We have remote sensing on the ground work going on. Geothermal industries are very interested and have offered to share some records and to have some of their experts work with us on this as well. There are 4 or 5 new potential leases for geothermal in the Dixie Valley area, so they are very interested in what is going on with water studies and how any future potential removal of potable water from Dixie Valley might impact their businesses. It is quite an effort and there is a field trip to go out with people from all of the agencies scheduled for the 9th.

Chairperson Washburn asked if there was any public comment but there was none.

9:05 a.m. Consideration and possible action re: Odor control partnering agreement and letter of understanding between Bango Oil and local residents, Eleanor Lockwood, Planning Director.

Planning Director Lockwood reported that Bango Oil applied to NDEP for a Class II Air Quality permit. Upon notification in the paper, several residents submitted letters of concern: 15 of which (including a letter from Churchill County Board of Commissioners) requested a hearing be held. Per the attached proposed Agreement, Bango Oil intends to withdraw, at this time, its plans for expansion from current production levels and identify, solve and correct any potential or existing odors at the Bango Oil plant. Those persons who requested a hearing be held are being asked to work with Bango Oil in this endeavor and to retract their request for a hearing based on the intent of Bango Oil to withdraw from the application for an Air Quality Permit items #5

and #6 that requested increased production and emissions. The Agreement states clearly that at some future date, if Bango Oil decides to request an increase in production, an application for a revised Air Quality Permit will be submitted to NDEP and proper noticing and the opportunity to request a hearing will be available to all residents at that time. Any increased production at the plant will require an application to the county for an amended Special Use permit. The action today is to either affirm or retract the board's letter requesting a hearing. Her understanding of the process is that once NDEP received the large number of concerns, comments and requests, they met with Bango Oil. In simple terms they said that a problem exists because there is a large number of people who are extremely concerned about the existing operations of the plant and they asked Bango Oil what they proposed to do to address the problem. She thinks that Bango Oil then suggested that a meeting be held with the residents in the area to try to develop a partnering agreement. As part of that, those who requested a hearing on the revised Air Quality Permit, the partnering agreement would ask them to retract their request for a hearing based on the subsequent action by Bango Oil to remove from the new Air Quality Control Permit anything associated with increased production and, therefore, increased emissions. At the request of Bango Oil, staff facilitated 2 meetings with residents and Bango Oil that were held in the Chambers. Randy Soule of Bango Oil tried to explain to the residents what he was asking all of us to do. She thinks the first meeting went fairly well because it showed the intent of Bango Oil to recognize that there are odors being emitted at the plant and they were intending to eliminate all odors from the plant. We all wish that this would have happened 18 months ago. Unfortunately, the process is such that Bango Oil submitted a revised Air Quality Control Permit to NDEP and there doesn't appear to be flexibility within that process. NDEP is required by law to review it, notice it and afford the residents the opportunity to request a hearing. Don Mello came by Eleanor's office yesterday and provided a letter stating that a large number of residents are stating that they will not be signing that partnering agreement and she believes that an additional 3 or 4 people are now included in that list as well. There are several residents here today who may wish to speak.

Chairperson Washburn asked for public comments. She acknowledged that the board had their signed document and their request is very clear.

Lorraine Griffin said she is a county resident and the way she views this situation is that the item the board is considering today is a great deal more than signing on or off of a Partnering Agreement. She thinks it has more to do with the county maintaining its right to governance. Bango Oil has been circumventing the county process long enough in her opinion. Their application for expansion of their plant should start here in the county with a Special Use Permit (SUP). Bango had ample time to apply to the county for an amended SUP to expand their plant. They have been in the process of building a rail road spur, which had to have started way back in the spring, so they had plenty of time to come to the county first. They should be, in her opinion, going through that SUP process. Instead, they have applied more than one time directly to NDEP to expand their Class II Permit and, thereby, bypassing the County's jurisdiction and the public's right to express concerns and possible appeals at a local level. This concerns her more than the Partnering Agreement part itself, which sounded good. Another example that happened to us here in the county is that in 2004, Bango applied for a SUP to bring RFO into the county for re-refining. Their Application for that permit clearly states, under Item 15,

that no waste or manifested oils are accepted at the facility for re-refining. They then applied to NDEP to process RFO and waste oil. Their monthly report to NDEP also shows that they accepted oils from California also known as manifested oil, which is considered hazardous waste in California. RFO is described by Bango's parent company as the finished product that they turn out. They may have been bringing some RFO in for added refining but RFO is, basically, the finished product that they are going to sell. NDEP isn't watching out for the residents of Churchill County. This board has that jurisdiction and this board needs to look out for residents who are experiencing the odor problems. If we continue to allow Bango Oil to bypass our system here, in effect, we are sanctioning their behavior and forfeiting the public's right to due process. As to the Partnering Agreement, Ms. Griffin can't see how the County Commission can enter into a Partnering Agreement with Bango Oil. Wouldn't that create a conflict if later the Commission had to hear an appeal? She would think that wouldn't work, although Civil Deputy District Attorney Jardine would have to answer that question. The Partnering Agreement and the new equipment provide no guarantee whatsoever that the odor emanating from the plant would be removed. Certainly, it would appear that the odor from the oil that they are trying to sell, which they are obviously having difficulty selling because the oil or product they are trying to sell smells bad. If they sell it for heating oil, that odor would permeate the areas being heated. That is not our problem but it is their problem. Of course, they want to put in added equipment but if NDEP approves the addition of equipment and then Bango Oil comes in for a SUP, that is a moot point as they are already operating. She feels that Bango is bypassing the system. Ms. Griffin said, from what she understands, we also have a potential ground water pollution problem. She believes the board will be reading a letter later today regarding the fact that they have apparently been releasing water and oil product onto the ground. As Commissioner Frey is aware of, several years back that canal out there developed a sink hole. She understands that Dick Lattin, who was the TCID Manager at the time, tried to stop it by pouring concrete into it but found that it was quite a sizeable job. Dick Lattin put red dye into that hole. She thinks that Commissioner Frey's brother flew the area to see where the red dye was coming from because months later the red dye started showing up at the Country Club near where the County's water supply is located now. That is an interesting aside since we are dealing with a situation that is very close to the plant and apparently there is an underground water supply there. Ms. Griffin respectfully requested that the Commissioners reaffirm their request for a hearing from NDEP and reclaim the County's right to governance.

Chairperson Washburn asked if there was any further public comment but there was none.

Commissioner Frey said that the sink hole spoken of, he recalls a picture of water coming down the canal, which appeared from a still photograph to be about 5 cubic feet per second, and then it just disappeared. He had heard that TCID poured concrete in there to try to plug it up as an efficiency improvement to the canal but he doesn't recall whether it was successful or not. As to his brother or anyone else pouring dye down the hole, he has never heard of that but it sounds like it could be tried to see if it shows up somewhere else. The trouble with dyes in his experience using them in other water situations is that dyes in water disperse rather rapidly. There is an awful lot of ground water in our aquifers to dilute such a thing, so he can't see how that would be conclusive.

If someone has information on that, he hopes it would be provided. His question pertains to the construction that is going on at Bango Oil. He trusts that the Planning Department has been active enough to monitor the construction. Do they have permits for this construction or is under their existing or original permit? We discussed the rail access at the meeting on October 15th. He raised questions at that meeting. If they are building this great big rail site and they do not need a permit from Churchill County, for even dust control, he really questions those things. Planning Director Lockwood replied that he has raised those questions and the county is aware of what is going on but the county has limited authority over construction of rail spurs. If they are disturbing more than one acre of land, we can and do require a dust control permit. The issue arises when is a dust emission considered a nuisance? It really requires the disbursement of that dust from the site that is being collected over a considerable amount of time. We cannot be at the site at all times, so we rely on people in the area very heavily to make sure that there are not dust emissions in violation of our codes or any other codes. Our Code Enforcement Officer is out at Bango Oil at least twice a week to make sure that operations are going on, at least during daylight hours, to make sure that things are in compliance with code. He is only one person and we have limited authority under the SUP to regulate anything to do with odors and/or air emissions. Commissioner Frey said that the other construction that is going on you can see that a lot is going on just from driving down the highway. Planning Director Lockwood replied that they do have building permits issued by the Building Department and they do provide the inspections in conjunction therewith. Commissioner Frey said on the surface and in looking at the people who have signed the petition to affirm their right to have a hearing, he would agree. He thinks that if we had entered into the Partnering Agreement, we would do nothing but give up our rights and he can't see where it would be in our best interests of the county or the residents to give up our rights. Whether anything comes out of a hearing or not, that will be up to the county and the residents to bring their evidence forward or at least to have an opportunity to have a say, even if we don't have actual physical evidence because it is very difficult for an individual to collect that kind of evidence, especially when dealing with something as nebulous as an odor. He is inclined to reaffirm the County's request for a hearing.

Chairperson Washburn agreed based on the petition as it is very clear what the residents request is. She believes we are representing the people as we should and we need to follow what their desires are. She said that Commissioner Frey asked the same questions that she was going to ask.

Commissioner Pearce agreed with the other 2 commissioners. We need to present a united front. He understands the residents' desire to proceed with a hearing and reluctance to agree to any Partnering Agreement. Further, he agrees with the Planning Director that if we had had this kind of candor 18 months ago, we probably wouldn't be here today.

Commissioner Pearce made a motion to affirm Churchill County's request for a hearing on Bango Oil's application for Air Quality Permit AP2992-1473 based on the intention of Bango Oil to withdraw from the application those systems that would authorize expansion of production and increased emissions and to authorize Chair Washburn to sign the necessary document. Commissioner Frey said he is confused with the motion as it was stated. Planning Director

Lockwood explained that the motion should only read through the request for the hearing on the Air Quality Permit and end after the permit number. Commissioner Pearce amended his motion to affirm Churchill County's request for a hearing on Bango Oil's application for Air Quality Permit AP2992-1473. Commissioner Frey seconded the amended motion, which carried by unanimous vote.

9:10 a.m. Consideration and possible action re: Presentation on the Comprehensive Annual Financial Report for the Year Ended June 30, 2008, Jim Johnson & Lynne Parsons, Kafoury Armstrong & Company.

Comptroller Kalt and Lorrie Ford of CC Communications were present to make the presentation on the annual audit. Also present was Jim Johnson and Lynne Parsons of Kafoury Armstrong & Company. A copy of the audit report was provided to the board for review. Comptroller Kalt showed a Power Point presentation to outline the audit. This was the first year under the new Risk Assessment Standards, which require more work, both by the independent auditors and staff. This is our 6th year under the financial reporting model under GASB Statement #34. Comptroller Kalt went through the audit report, including the government wide financial statements for net assets, notes to the financial statements, statistical data, compliance section, activities, major funds and budget schedules.

Jim Johnson said this was probably the best year in all of his years of auditing the county and CC Communications. His congratulations went out to both entities for spending a lot of effort to do the new Risk Assessment Standards. It was a tremendous amount of work. Alan did a lot of work to get other counties to come together to do a big park of this together. Congratulations to the county for receiving another Certificate of Excellence in Financial Reporting, which is a big process to go through. He is happy to report that the opinion is once again an unqualified opinion on the financial statements that report operations to the County. There are 2 comments of 5 noncompliance issues where expenditures were in excess of budget. The mitigating standpoint is that if you look at all 5 of them and then add them all together, the over-expenditure is less \$70,000, so we are not talking about any material amounts. The report on internal controls and compliance did not have any material or significant finding. These days, the standards are pretty strict that if the auditor finds anything, they must identify the findings. They did find some minor issues dealing with the new auditing standards where they dig deeply into some items and they made some recommendations for improvements. Kafoury Armstrong has gone over these with management and he feels that they will take them under consideration and comply with the recommendations if they deem it to be feasible. The single audit report on compliance and controls over major programs shows a selection of a certain percentage of programs to ensure compliance with all of the grant requirements. He is happy to report no findings this year and the ones from prior years have been corrected and addressed. The report includes the required communication letter in accordance with the Statement of Auditing Standards 114, which outlines Kafoury's responsibility, the planned scope, and significant audit findings. The only thing that is really nonstandard is on corrected or uncorrected misstatements, there was one journal entry that the auditor proposed to make on CC Communications side that was material to either of the funds, which was a reallocation of the allowance for DAPL accounts. It had been recorded in one fund but had not been spread around, so they

proposed the journal entry and CC Communications agreed to it. There were no journal entries for the county this year, other than those disclosed at the beginning of the audit. Mr. Johnson thanked Churchill County and CC Communications because this was probably the smoothest audit we have had and he knows that when they interviewed Commissioner Frey and Commissioner Pearce on some of the interviews they have to conduct with people, Commissioner Frey expressed interest that he wants to make sure that the auditors are looking hard at these records. Mr. Johnson guarantees that they try to do that. Sometimes it can be hard to be friends with people in a small community and then tell them that they are not doing an adequate job if they aren't and he wants to assure the board that that is not an issue here.

Comptroller Kalt said that almost 24 months ago Churchill County implemented its budget mitigation plan. Through the hard work and the diligence of the Commissioners, elected officials and department heads, the county was very proactive in mitigating and reducing expenditures when we first saw the decline in revenue, which is why we have the figures that will be outlined today. He went over the financial highlights of the budget: cash & investments \$36.3M compared to our current liabilities of \$6.0M, which provides for a current cash ratio for liabilities 6.0 times over. The government wide total net assets \$152.2M, business type \$75.7M, governmental activities \$76.7M, growth in business type +\$17.0M, general government increase \$8.4M, gain in capital assets increased from \$99.9M to \$199.2M, total revenues increased 9.7% from \$70.1M to \$76.9M. We saw increases in property taxes, tap fees, grants, total expenses \$51.6M up to \$1.9M or 3.9%, program revenues exceeded expenses by \$25,380,868, fund balances governmental wide \$24,354,514. The general fund had an ending balance of \$3M. The statement of net assets shows total assets of \$82,403,567, total liabilities \$5,727,674, for total assets \$85,145,877 and total liabilities \$9,381,696. Net assets that are invested in capital assets is \$76,675,893 and total net assets is \$75,764,181. He provided a more detailed breakdown on the business side.

Lorrie Ford said the telephone fund increased to \$28,837,705. Capital asset investment before accumulated depreciation increased by \$3M to \$61,037,663 under capital assets in service and CIP. The increases in capital expenditure are due to the fiber optics in the home projects going on, central office and toll room upgrades. They paid off their long term debt for 5ESS switch. Comptroller Kalt said that on the wireless side it shows that the net assets total \$16M minus the current and long-term liabilities, leaving a total net assets of \$15.9M.

With regard to the County's waste water fund, with the construction in progress, it shows \$12.8M on the Moody Lane project expansion, which was funded primarily by grants and developers. We can see that our current total assets of \$1.8M, the noncurrent capital assets net \$19.3M, providing a total of \$21.2M. Current liabilities related to the construction in progress currently going on includes an outstanding bond, the noncurrent portion which is \$2M and within the payables is the current portion. The net total assets invested in capital assets net of related debt is \$17.2M and the unrestricted portion in waste water fund is nearly \$1M. The County's enterprise fund, which is the water operations, shows a total current assets \$881,000, the noncurrent or long-term assets of the wells and treatment facilities net cost, less accumulated depreciation, is \$10.3M, giving us a total assets of \$11.2M. On the liabilities side, we have some notes of which the long-term noncurrent portion of the bonds payable is \$2.4M and our total liabilities is

\$2.5M, leaving us a total net asset of \$8.7M. The statement of net assets on the CC Communications long distance and broadband, their current assets is \$2.8M, the noncurrent portion is \$1M, they have no liabilities associated with those operations. The invested and capital assets net of related debt is \$1,087,000 and the unrestricted portion is \$2.8M.

With regard to the Statement of Activities, Comptroller Kalt summarized where we are spending the money. Public Safety, at \$7.6M, is the largest portion, and General Government is \$6.2M of the total \$24.4M. Revenues that are brought in from charges for services on the Governmental Activities is \$2.2M, Operating Grants and Revenues is \$2.1M, and Capital Grants and Contributions is \$7.7M. A bit later he will review Federal Grants. In addition to Federal Grants, we receive significant funding from State Grants, primarily from Question 1. General revenue funds include property taxes of \$7.3M, Federal PILT of \$1.2M, CC Communications PILT of \$1.9M, Consolidated Tax, of which sales tax is the primary driver, is \$6M as well as other items. Transfers out of \$2.7M was transferred from the Governmental Activities to the Water and Wastewater Operations. During the year our net assets increased \$8.4M from the Governmental Activities.

Comptroller Kalt then went through the Statement of Revenues, Expenditures and Change in Fund Balance. In the General Fund, our money comes from Intergovernmental Revenues for the greatest portion, primarily sales tax (CTX), property tax of \$4M, miscellaneous revenues of \$800,000, licenses, building permits etc. \$596,000, so that our total revenue is \$15M. Other financing sources as alluded to earlier included a portion that was apportioned to the General Fund from CC Communications was \$1.6M, which was offset by transfers out that we had to other funds, so that our total other financing sources was \$1.2M. We had combined total resources of \$16.3M. That money was spent in public safety, general government and judicial function. Our total expenditures within the General Fund was \$16M. The General Fund ending balance grew by \$300,000 from \$2.7M to \$3M. The Road Fund revenues primarily come from gas tax, excise tax based on a number of cents per gallon and is shown as intergovernmental revenues. Miscellaneous revenue includes things such as when we put the Geothermal Rents and Royalty money in there, interest earnings, and Geothermal Rents and Royalty revenue was designated for their equipment replacement program. Transfers into the Road Fund are approved by the Regional Transportation Commission and come from the Public Transit Fund and Regional Transportation Fund to support road projects. \$2.8M was spent for capital improvement projects for repairs and maintenance of roads. Their ending fund balance increased slightly because their total resources was \$2.9M and they spent \$2.8M. The single largest activity that we had in the Water Resource Fund was the acquisition of conservation easements. \$6.3M was spent from that fund, with the largest being the purchase of conservations easements. The beginning balance in that fund was \$3,065,405, with an ending fund balance of \$1,699,845. Developers contributed \$1,827,925, which is why the miscellaneous revenue was so significant in that fund. We transferred monies out of that fund to the Water and Wastewater Fund and would note that we did over expend this fund by about \$30,000 but those individual large transactions were approved by the board but we did not augment the budget by enough to cover those expenditures that took place in the water resource fund. There are over 20 special revenue funds. The county had a total of \$8.5M of

revenues in. Other financing sources was actually a net-out because of the transfers in the RTC funds primarily. The other portion of the CC Communications PILT that goes to support Parks and Recreation, which is \$250,000.00. Total expenditures were \$5.9M, so we did see an increase in the fund balance, just short of \$2M. If we look at the functional expenses in the business-type activities, you can see the telephone operations of \$14.5M, wireless \$8M, long distance nearly \$700,000, broadband nearly \$2.7M, utility wastewater operations nearly \$800,000 and nearly \$400,000 on the water utilities. On the revenue side of the ledger, those are listed, with the total charges of services being \$29.7M. If we look at different capital grants and contributions, he highlighted the U.S. Army Corps of Engineers grant, which was \$6.9M. General revenues include interest income, miscellaneous revenue, and tap fees (developer fees for future hookups associated with utility operations). The key number there is the total change in net assets +\$17M on a combined basis for all of the business-type activities.

The rest of the audit report is more traditional financial reports of the non-major funds, including the combining statements and the individual funds statements, balance sheet, schedule of revenues and expenditures, and changes in fund balance. He then summarized the Schedule of Federal Financial Assistance, including: Department of Agriculture \$2,838,151, Dept. of Housing and Urban Development \$195,938, Dept. of Justice \$139,747, Department of Labor \$47,885, Department of Transportation \$434,651, Department of Energy \$235,820. Cash and investments is invested by our Clerk/Treasurer and we have a total of \$40,922,799. Of that, \$22.2M belongs to the governmental funds, \$14.1 to proprietary funds, and \$4.5 in our fiduciary funds. Within our Wells Fargo interest bearing money market account we have investments that are managed by the Clerk/Treasurer of \$5.9M. There is 30% of the total \$40M that is being invested, primarily in the vehicles associated with Wells Fargo. Seventy percent is being invested in the Local Government Investment Pool. Long term obligations on the governmental activities total \$3,113,784, broken down with revenue bonds associated with Wild Goose \$2,163,207, contracts payable (development rights) \$76,409, and compensated absences \$874,168. Business operations include bonds payable \$4,485,261 (related to water & sewer), capital leases for the CC Communications' customer service center \$1,386,419, CC Communications compensated absences \$623,474, OPEB Liabilities GASB 45 \$20.6M if funded as a pay-as-you-go or \$12.2M if funded with a trust establishment. Fifty five percent of our liability rests on business type activities.

Comptroller Kalt expressed his appreciation to Kafoury Armstrong for their help and expertise provided to us over the years, as well as his staff that makes this all possible. He also acknowledged County Manager Goetsch, Preston Denney, Kelly Helton, Linda Rothery, Norma Green, Liz Rogne and his son for the photo on the cover of the audit report.

Chairperson Washburn asked if there was any public comment but there was none. She told Comptroller Kalt that he did an outstanding job and she appreciates that because she listens to commissioners from other counties where they are doing a lot of this on their own. We are fortunate here to have a team that does this. She also expressed her compliments to Garrett Kalt for the great photo.

Commissioner Frey echoed the comments about the entire team and Garrett Kalt for being part of the team doing great work for the county. We have a good team that works well together and makes it a lot of fun from that side of the dais to help make the

policies. They feel confident when they do make policies that we have good information to base those policies on. It is very important that the team stay together and continue to work together.

Commissioner Pearce congratulated all of the staff for making his last comprehensive annual financial report a nice, easy one, with no surprises. He also thanked Kafoury Armstrong for making sure we are going down the straight and narrow path.

County Manager Goetsch said he thinks this is a great one for Lynn going out. This report this year is better than he and Alan had anticipated a year ago. We had a little bit of an indication earlier this morning about what is going on with the state. He is really worried about the big picture in the State of Nevada. Not only because of the fact that they are down and what the deficits are but the fact that they are responding to it in a very unorganized, panicky mode—not really systematically approaching it. Nor did they systematically approach it 3 years ago as we did here, anticipating a little of what was coming. We have some big challenges coming up for our new board member and our board members in the out years. Most of the predictions now are for probably 5 years of struggle in the state and with the economy before we experience recovery. Our strengths for the county this year are that agriculture is growing, geothermal is growing and bringing us more money, NAS Fallon had some small expansions and continued to support stability in our community, CC Communications made some great contributions and their contributions were up a little bit, and the PILT overall helped us this year to put us in better shape than we thought we would be. He complimented the county employees because, when we asked them 2 years ago and a year ago to step up and accept gaps and to accept less than what they might have asked for and wanted in raises and to contribute in delaying merit raises and things like that, that has been a huge help and it has helped them to really focus on saving money every where that they could and on chasing the grants that Comptroller Kalt pointed out to bring in \$11-\$15M of money from other sources to help in Churchill County. He thinks that is great and we need to acknowledge all of the employees who have been doing that and we will have to continue working that hard for next 3-5 years to stay on this tract.

Commissioner Pearce made a motion to accept the audit report and related findings for the comprehensive annual financial report for FYE June 30, 2008 and directing the Comptroller to file a copy with the Department of Taxation as required by statute. Commissioner Frey seconded the motion, which carried by unanimous vote.

Letters Received:

Consideration and possible action re: Request to sponsor the 2010 National Association of Counties Annual Conference in Reno.

County Manager Goetsch reported that NACo is seeking financial contributions for the National Association of Counties Annual Conference to be held in Reno in 2010. Through a series of meetings and conversations between NACo staff members and Churchill County staff, it was determined that rural Nevada counties were contributing between \$1,500 and \$5,000, while a few of the larger urban counties were contributing more. The Northern Nevada region and Churchill County should receive an economic benefit from the number of participants and planned events associated with NACo. NACo staff admitted that their conversations and reasonable goal for Churchill and Lyon

County contributions were \$5,000, though in the attached letter and in their best scenario they have targeted a \$10,000 sponsorship.

Commissioner Frey said this will bring in around 10,000 people into the area and it will be an opportunity for Churchill County to highlight its benefits and what we have been able to do with geothermal and other development in our community. It has the real potential for financial benefit to the community. Commissioner Sferrazza, who is now Judge Sferrazza, worked hard to get the conference located here but then he accepted an appointment to become a judge, so Bonnie Weber is leading this conference. He feels \$7,500 would be an amount we could justify. We could bring in other people or developers to spotlight our desire to do industrial development and all the amenities that we have here in our community.

Chairperson Washburn thinks he is right. She discussed this with Bonnie Weber and she is willing to give Churchill County a place in one of the field trips in conjunction with this. It will bring a lot of people here and we could spotlight our community in a good light rather than the bad press that we've gotten. She thinks \$7,500 would be justified.

Commissioner Pearce agreed with the other two Commissioners. This is a good opportunity, especially if we can get a rural tour to highlight the geothermal on a national level. It is a lot of exposure for us. He asked Comptroller Kalt if we could provide \$7,500. Comptroller Kalt replied that the letter from Bob Hatfield targets the efforts of NACo in securing full funding of PILT. We have received a greater than anticipated PILT payment and he would recommend that is where this funding comes from.

Commissioner Frey made a motion to approve a sponsorship in the amount of \$7,500 for the National Association of Counties 2010 Annual Conference in Reno, Nevada. Commissioner Pearce seconded the motion, which carried by unanimous vote.

Old Business:

Consideration and possible action re: Fiscal Policy for distribution of Geothermal Sales and Use Tax Abatement Payments.

Comptroller Kalt reported that Churchill County met with NCED to discuss one of the geothermal developer's application for abatement of sales and use tax. A year ago the board adopted a sales and use tax abatement policy. They were seeking clarification on the statutory authority that was implied within the existing policy. After meeting with those folks, it became clear that we needed to modify our policy and to modify it in such a way that it would encourage that we enter into a payment-in-lieu-of-taxes (PILT) agreement with the geothermal developers prior to them seeking an abatement from the NCED board. They construed our existing policy as requesting a modified abatement amount. They would like us to have a policy in place that sets up a separate agreement that they either provide for the abatement or they don't provide for the abatement. We have modified the existing policy, which basically states that Churchill County and the geothermal developers must enter into a PILT agreement whereby the developer would make a payment equal to 2.75% of the 5.25% of the sales and use tax abatement available for companies who would qualify under the Nevada State Sales and Use Tax Abatement Program, which is defined in NRS 374.357 and NRS 360.750. The PILT agreement would allow the county to essentially retain the basic city/county relief tax, the supplemental county relief tax, and the infrastructure development tax. It is really

important because those provide for the necessary and essential services. The infrastructure development tax provides for the preservation of that water resource and in the infrastructure available. Basically, simply stated, we would retain 52.38% of the total abatement and they would enjoy the economic benefits of the other 48%. The policy states that the PILT agreement must be in place prior to the abatement being placed on the agenda in order to get the county's support. Those were the changes made in the policy and it has been reviewed by legal counsel.

Commissioner Frey asked about the purpose of the policy on page 1 where it says that it relates to geothermal expansion. To him that would be an existing plant seeking to enlarge its operation but this policy should also relate to any construction. Comptroller Kalt said that is the intent and if that would help to clarify it, that change could be made. Commissioner Frey recommended the adjustment by deleting the word "expansion" or put in "expansion or construction". That would cover his concern and would cover any future construction that comes forward.

Chairperson Washburn asked if there was any public comment but there was none.

Commissioner Pearce commented that this goes to the one of the things we lack in the geothermal program, which has been the locating of the business office portions of those companies as they tend to locate in larger communities like Reno. He is reminded of Carlsbad, New Mexico where they have the width facility. One of the things they really pushed for was that all of the scientists and business offices would be located in that county. Just as a note for future commissions, there is nothing that would prohibit a future commission from not retaining all of those or giving a bigger tax break for those who locate their business offices in this county. He could see that that is a much bigger, important chunk than almost the entire plant itself is to make those people and their offices a part of our community. It would be good to have those people living here and helping to improve our community. As he reads this, there is nothing that would prohibit future commissions from negotiating that. It seems like that would be a good idea. Comptroller Kalt said we could modify this policy in the future if necessary. He doesn't think there is anything in the policy that would prohibit something like that to provide a greater level of abatement if the company moves their corporate headquarters here.

Commissioner Pearce made a motion to approve the Churchill County Sales and Use Tax Abatement PILT Policy for Geothermal expansion in Churchill County. The Policy states: Churchill County and the geothermal developer must enter into a PILT agreement whereby the Developer would make a payment equal to 2.75% of the 5.25% of sales and use tax abatement available for companies who qualify under the state of Nevada Sales and Use Tax Abatement Program defined in Nevada Revised Statutes 374.357 and 360.750. The PILT Agreement would allow the County to essentially retain the Basic City County Relief Tax, Supplemental City County Relief Tax and the Infrastructure Development Tax or 52.38% of the total abatement. This PILT agreement must be in place prior to the abatement being placed on the agenda of the Nevada Commission on Economic Development. Furthermore, directing the County Manager to distribute the policy to appropriate agencies and industry leaders.

Commissioner Frey seconded the motion, which carried by unanimous vote.

New Business:

Consideration and possible action re: Professional Services Agreement between Churchill County and David Bennett Consulting.

County Manager Goetsch reported that, at a regularly scheduled meeting of the Criminal Justice Committee on November 21, 2008, a recommendation was made to retain the services of David Bennett Consulting. Under the proposed two year contract, David Bennett Consulting will provide all professional services to work toward the implementation of the jail management population plan and assess, recommend, and coordinate the implementation of policy and procedural changes necessary to improve the efficiency of the courts and criminal justice agencies, consulting in selection of the next phase, which would be a programmer and architecture for functions of new jail and hiring engineering and construction of that facility. The fiscal impact is the cost of \$39,000 per year. The Criminal Justice Committee felt that, without continued professional help, we need to continue with that outside expertise to save us money in the long wrong. The committee's recommendation was to retain the services of David Bennett.

Chairperson Washburn said, after going through the class in Colorado, she doesn't think we can get through this without this professional help. There are so many pitfalls that could occur that would cost us more money than this contract will cost.

Commissioner Frey agreed that it is wise to have this expert consultation. It doesn't take much to make a mistake in building a criminal justice facility to recoup the \$78,000 for this contract.

Commissioner Frey made a motion to approve a professional services agreement between Churchill County and David Bennett Consulting for a period of two years. Commissioner Pearce seconded the motion, which carried by unanimous vote.

Consideration and possible action re: Request to go to bid for two new 3,000 gallon 6X4 water tenders with class 7 or 8 chassis for the Fallon/Churchill County Volunteer Fire Department.

Ed Harris reported that, given the lead time necessary to build and construct water tenders and the pending ISO review date this spring, the Fire Department proceeded to go out to bid for two new 3,000 gallon 6X4 water tenders with class 7 or 8 chassis. The equipment is part of the equipment replacement plan and is necessary to allow water shuttling for the ISO review that will take place this spring. Last year the Fire Department took one of their tenders out of service and sold it at auction due to a hole in the water tank. Currently, the only water tender the Fire Department has is a 1968 model and the tank is leaking. The two new water tenders will be replacing the one sold at auction and the older leaking tender that is still in inventory. Bids were released on November 22, 2008 and are due by 2:30 p.m., Thursday, December 11, 2008. The recommendation for the bid award will be brought before the Board of County Commissioners at a regular meeting scheduled on Wednesday, December 17th, 2008.

Chairperson Washburn asked if funding is available. Mr. Harris replied in the affirmative and they are hoping to get some savings by ordering 2 trucks at the same time. Because of our economy, they have had more bids submitted. Chairperson Washburn asked if there was any public comment but there was none.

Commissioner Pearce made a motion to approve the Fallon/Churchill Volunteer Fire Department to go to bid for two (2) new 3,000 gallon 6X4 water tenders with class 7 or 8 chassis. Commissioner Frey seconded the motion, which carried by unanimous vote.

Consideration and possible action re: Resolution 34-08, a resolution declaring a 2001 Ford Expedition as surplus equipment and donating such to Churchill Animal Protection Society (CAPS).

A RESOLUTION DECLARING A 2001 FORD EXPEDITION FORMERLY USED BY THE SHERIFF'S DEPARTMENT AS SURPLUS PROPERTY AND GRANTING SAID VEHICLE TO CHURCHILL ANIMAL PROTECTION SOCIETY (CAPS), FOR USE FOR ANIMAL CONTROL; AND OTHER MATTERS PROPERLY RELATING THERETO.

The proposed Resolution 34-08 seeks to declare a 2001 Ford Expedition formerly used by the Sheriff's Department as surplus property and granting said vehicle to Churchill Animal Protection Society (CAPS) for the use in Animal Control. The vehicle has exceeded its effective useful life for the Sheriff's Office. County departments have been afforded the opportunity to pick up the vehicle and it has been unclaimed. Churchill County is a financial contributor to CAPS and sees the public benefit of this outstanding organization. NRS 244 allows for the Commissioners to donate equipment that has reached the end of its useful life to certain non-profit organizations that provide substantial benefit to the community. It has been determined that CAPS provides these benefits to our community. The last time the County donated a vehicle to CAPS was over 6 years ago. They understand that they get the vehicle as is with no warranties as to the reliability of the vehicle.

Chairperson Washburn asked if there was any public comment but there was none.

Commissioner Frey said this is a good use of this vehicle. CAPS provides a service to this community in the private sector that would otherwise be provided through tax funds. It is great that we can help them out in any way possible.

Commissioner Frey made a motion to approve Resolution 34-08 declaring a 2001 Ford Expedition formerly used by the Sheriff's Department as surplus property and granting said vehicle to Churchill Animal Protection Society (CAPS) for the use in Animal Control. Commissioner Pearce seconded the motion, which carried by unanimous vote.

Consideration and possible action re: Agreement for Termination of Leasehold Regarding New Frontier Treatment Facility.

Civil Deputy District Attorney Jardine reported that in 1974, Churchill County entered into a lease agreement with the Churchill Council on Alcohol and Other Drugs as to the "old County Home" located at 165 North Carson Street. The location provided for establishment of the New Frontier Treatment Facility, which, among other services extended to the general public, were in-patient and out-patient counseling and treatment for alcohol and other drug addictions. In March of 2007, the New Frontier Treatment Facility was destroyed by fire. Since that time, a new location for New Frontier Treatment Facility has been established at 1490 Grime Street, in Fallon, Nevada

and that facility is now in full operation. A leasehold for the subject property is no longer necessary.

Commissioner Pearce made a motion to terminate the lease agreement between Churchill County and the New Frontier Treatment Center regarding the county owned property located within the City of Fallon at 165 N. Carson Street and authorize the Chair to execute, for purposes of recordation, a notice of termination of lease agreement. Commissioner Frey seconded the motion, which carried by unanimous vote.

Consideration and possible action re: Certification of Expenditure of Funds under the Energy and Water Development Appropriations Act for Federal Fiscal Year 2007.

Comptroller Kalt reported that this is an annual requirement of the County as an Affected Unit of Local Government that receives oversight funding to monitor the activities of the Yucca Mountain Project. Our expenditures have been in compliance with our approved work plan as submitted to the Department of Energy. The Yucca Mountain grant is subject to the Single Audit requirements and testing by our independent auditors. The funds for the program are a direct payment appropriated by Congress. The funds may only be spent in accordance with the provisions in the Nuclear Waste Policy Act as amended.

Commissioner Frey made a motion to approve the required certification of expenditure of funds under the Energy and Water Development Appropriation Act for Federal Fiscal Year 2008 and authorize the Chair to sign the certification and have mailed to the Department of Energy by December 30, 2008. Commissioner Pearce seconded the motion, which carried by unanimous vote.

CONSENT ITEMS (Action items generally not requiring discussion or explanation)
All matters listed under the Consent Agenda are considered routine and may be acted upon by the Board of County Commissioners with one action and without an extensive hearing. Any member of the Board or any citizen may request that an item be taken from the Consent Agenda, discussed and acted upon separately during this meeting.

1. INFORMATIONAL ITEMS –

- A. Letter to Encore Energy regarding Bango Oil from the Nevada Division of Environmental Protection requesting release/spill information concerning a release/spill that occurred on October 28, 2008.
- B. Letter of appreciation from the Fallon High School Rodeo Club for the donation provided by Churchill County in support of its high school rodeo.
- C. Letter from the United States Department of the Interior, Bureau of Reclamation regarding Environmental Assessment for Conveyance of Non-Project Treated Effluent Water in Newlands Project Facilities.
- D. The Nevada Division of Environmental Protection provides notification of its review of the Third Quarter 2008 Status Report for the former Lightning Lube.

2. **REVIEW** – None.
3. **COMMITTEE AND DEPARTMENTAL REPORTS FOR OCTOBER, 2008** – None.

Commissioner Pearce made a motion to approve the Consent Agenda as submitted. Commissioner Frey seconded the motion, which carried by unanimous vote.

CONSIDER FUTURE AGENDA ITEMS – Commissioner Frey asked to put on an agenda or to consider in budget discussions the possibility of the county sponsoring a concert in Oats Park, perhaps called “County Night at the City Park”. It sure makes the community a community.

COMMISSIONER REPORTS:

CHAIRPERSON WASHBURN: Chairperson Washburn said she attended several meetings but does not have a lot to report. The Criminal Justice Committee meeting has already been addressed. She attended Navy League, which is always an interesting and enjoyable evening. The CWSD Administrative Committee met a couple of days ago and they are looking at 5 new board members for CWSD this year. It will be a huge turnover and they will see how their policies evolve. At that meeting, they announced and it is very nice for Churchill County that Norm and Sue Frey have been nominated and selected by that Administrative Committee to be awarded the Andy Aldax Award for river conservation efforts. That award will be given in 2 weeks.

COMMISSIONER PEARCE: Commissioner Pearce said he attended the City’s Centennial Commission meeting last month. This board has been invited to attend the event on the 19th in Oats Park at the new bandstand pavilion. They have been able to determine from records that it was a gift of \$108 from Churchill County, along with various assorted wagons and mules that the County donated to jump start the City. He will get a time frame and provide that to the board. The City would like the board to participate in a small ceremony that will be a reenactment of that donation that started the City of Fallon. It was an interesting list of items that the County donated. The Celebration of the Centennial will continue with the finale consisting of the bon fire and fire works display on New Year’s Eve. This event in Oats Park will commemorate the beginning of the City.

COMMISSIONER FREY: Commissioner Frey asked if that will be an afternoon celebration because that is the same day that we have our Departmental Tours scheduled. Commissioner Pearce said he thought the event will be held between 6:00 and 7:00 p.m. They have a carriage and horses set up to transport the City Council and Mayor from City Hall to the park and then the ceremonial receiving of the \$108 check and items donated. It shouldn’t interfere with our Departmental Tours. Commissioner Frey suggested that maybe we could even find a horse and \$108 to give them. After our last meeting, he went to Cancun and reported that Mexico is doing well. It was warm and he enjoyed the celebration of his 30th anniversary with his wife. Since his return, he attended the Truckee Canal Safety Committee meeting. There was a good write up in the paper about that. David Styx, Jr. was elected as President and Commissioner Frey was elected as Vice-President. The committee entertained a lot of questions, including some comments that Storey County would like to have a position on that committee or, at minimum, have the stretch of canal that goes through Storey County considered as part of the work of the Truckee Canal Safety Committee. David Overvold gave a presentation. The proposed

fix for the Truckee Canal is 11.7 miles of a 12' deep, 1' wide trench filled with concrete as a rodent barrier only and the estimated cost on that was \$3.1M. It is not out of the realm. The word they received is that the district general tax that is being collected that the Truckee Canal Safety Committee will be overseeing is expected to generate \$104,000 per year. It sounds like they are anticipating possibly bonding to get the fix in place right away and then dedicate that district general tax, which is \$1.50 per parcel or per acre for every parcel within the Newlands Project, to the payment of the bonding as allowed by state statute. The Parks and Recreation Commission meeting is always very busy at this time of year. The main event scheduled now is the bon fire in conjunction with the City's Centennial celebration and also working to submit capital projects that the committee sees coming up and getting started on the budget process. With regard to recreation, there is a lot happening. There is a scheduled pool closure next week to do maintenance and repairs but no draining of the pool as it has in the past. Water quality is holding up.

COUNTY MANAGER GOETSCH: County Manager Goetsch said we had the meeting with Fernley. Basically, staff let them know clearly that their idea of annexation across county borders was not acceptable and that we did not find any legal basis, financial basis, nor had there actually been a direct request from parcel owners in the Western Nevada Rail area to annex across county lines, to change county lines or do anything of that sort. He thinks we put out Fernley's enthusiasm for growing across into Churchill County. The Justice Committee formed a sub-committee that is looking at a Court Services Administrator or another kind of person that could manage clients of the justice system and maybe reduce jail loading and some other things and save some money in some other areas. There are a number of different initiatives besides just the potential construction or new jail going on through that committee. Staff has met a couple of times with some geothermal industry representatives. Commissioner Frey joined staff in meeting with Vulcan Power the other day, as did Eric Grimes from CEDA, to get an idea on what their intentions were. There are a number of new plants and leases proposed. We were told by the industry that less than half of the geothermal leases that had been requested of BLM have been acted on, so this large bulk that just went through is less than half of what is on file at BLM and should be acted on within the next year or two. Staff also met with some of the solar industry and this Saturday he and Eleanor are taking some folks from out of the country on a tour of Churchill County in relation to solar development. The board is aware that we have 2 small-scale solar projects underway right now at the pool and water plant with shared funding from NVEnergy, which is good news. Staff met with BOR on easement issues. The board is aware of the petition that came from some residents in one case that basically talked about BOR, TCID canal easements throughout the county and issues going on. The finding, basically, is that just because a resident lets or has had to let a canal easement go through their property doesn't mean they have to open it up to public access, much like the river. We don't think that that petition will go anywhere and it certainly is not for the county's action to handle that. He will be attending Mert Mickelson's Celebration of Life tonight. He reminded folks of that. There has been large-scale response to that and some of his family members will be attending that this evening. The Moody Lane plant opening announcements should be out soon. It will be mostly emails and informal invitations to county employees but we are mailing out to a number of others who helped in that construction, the City, NAS Fallon and other dignitaries. Misha and Paul of Shaw

Engineering are in charge of putting that together. They will try to keep it short but just open the gates to folks to view the plant and get the media there to understand what we have. That plant is in full operation now. Misha will be traveling after the holidays. His folks are having some health problems back in Serbia so he may be gone for 6-8 weeks. We had to renew our lease with the Navy on the Jetway Jet. It made him realize that he should talk to the board to say that each time that comes up, we commit for 4 more years of the county ensuring that the jet is mounted properly, that it is safe, and that it is being maintained. There may come a time, especially since Jetway Chevrolet isn't open right now, when we need to come back to this board to determine if the county wants to return that to the Navy or do we want to keep that up as a landmark and as a historic piece. He wanted to acknowledge the work done by Alan going through this budget process and the audit. Alan, Jorge and Misha can be found late at night or on weekends working hard. There are a lot of things going on with Parks and Recreation, water and sewer and budget management. He just wanted to acknowledge those 3 specifically for, at least in the recent 4-5 months, putting in a lot of work and extra hours. Next week he will be out of town for a couple of days with the State Board for Financing Water Projects doing some touring.

DEPUTY DISTRICT ATTORNEY JARDINE: Civil Deputy District Attorney Jardine said, with regard to that petition Brad alluded to, we find as a matter of law that that does not pose itself as a proper matter to come before this board for any level of fact finding. Their effort will be to prepare a letter of opinion to the petitioner and others interested in it to make those grounds known. There is simply no way to defeat this kind of federally commenced interest in property and it is beyond the realm of our authority to even address it, so that is how we will respond to that question.

CLERK/TREASURER HELTON: Clerk/Treasurer Helton was not present by Secretary Moore reported the success of Kelly's back surgery yesterday. She is in room 389 at St. Mary's Hospital in Reno.

COMPTROLLER KALT: Comptroller Kalt showed a Power Point presentation regarding the special session of the Legislature called for next Monday. One of the pieces of the pie that they consider to be the solution is the Local Government Investment Pool. He wanted to talk today about the Local Government Investment Pool, their proposal and the County Investment Policy. The County has \$28,198,637 in cash and investments in the investment pool. Right now, the actual number we have there is \$33M of our total investments. He used that as a back drop. Our investment policy, which was included in the packet of information provided to the board, includes the objectives of: preservation and safety of capital, maintain liquidity, and maximize the rate of return. Within the policy it talks about the asset mix constraints: securities must mature or have a demand feature within 3 years, and the average maturity shall not exceed 18 months. Our Clerk/Treasurer's investments are well within the guidelines of our Investment Policy.

Given what is going on, it has given us pause to evaluate and look at our investments. This morning during public comments the board heard 2 actions that the state has done and it almost strengthens the need for perhaps why one of the proposals they are sending forth may have some merit. They are acting premature. Clearly, the State of Nevada is in an economic crisis and we are clearly in a recession. In the State of Nevada, the housing markets and foreclosure rates are incredible. Fernley leads the

nation on a per capita basis. We have a credit crisis out there. We set this up with Nevada's Tax Policy and it is all based on growth. Within the board's packet, there was a comment that somewhat disturbed Comptroller Kalt that was made by the State Treasurer that basically said that we will get the cranes moving in Clark County real soon as far as building more mega-resort types of things. The state has to address the tax policy. They have had several studies. There was a commission developed by Governor Guinn, which was lead by Guy Hobbs and included a diverse group of people. They invested a ton of time, energy and effort and they didn't take many of that commission's recommendation. The state is dependent on sales tax and gaming tax. The projections from the Economic Forum are coming in woefully short. Down in Clark County, a significant portion of their economy still rests on a tourist-based industry and we are feeling those effects. The state has a significant potential for cash flow problems, both short term and long term, as they try to address their budget mitigation plan.

The Local Government Investment Pool is an investment fund managed by the State Treasurer's Office that pools Local Government Resources and they have the expertise to invest those funds on behalf of the local governments. Their investments must comply with Nevada Revised Statutes and the investment policy. They have a State Finance Board that reviews the operations of the Local Government Investment Pool. In the handout, he provided their historical rates of return. Simply stated, Churchill County doesn't have enough money to hire a professional money manager. Our elected Clerk/Treasurer invests money in the state Investment Pool and through some other financial advisors as he talked about earlier in the audit presentation of our public funds within our Investment Policy. At the LGIP, they are able to get favorable rates at a lower cost than what we would do as a county on our own. The state's investment objectives include safety of principal, portfolio liquidity and market return consistent with prevailing budgetary and economic environments. The phrase, "prevailing budgetary and economic environments" is one that he asks us to keep in the back of our minds.

The County's participation in LGIP includes: general account \$17,975,100, Churchill County Communications \$10,991,100, CCSD Debt Service Account \$4,173,900, Churchill County Court Trust Funds \$45,000, and Churchill County Scholarship Funds \$24,400, for a total of \$33,209,500. The most recent rate of return on the October balances was 2.189%. That rate is going down, just like the market rate is going down. The total invested in LGIP statewide is \$767M, of which \$33.2M is Churchill County's. We represent 4.35% of the current amount in the LGIP. That pool provides instant liquidity. If our Clerk/Treasurer notifies them by 9:00 a.m., the money will be in our account the same day to cover things. If we are going to invest more money, we must notify them by 9:00 a.m. and that way we get credit for that day's interest and we transfer the monies over to the LGIP.

The Line of Credit Proposal, which he refers to as the Marshall plan, is that State Treasurer Marshall's proposal to the legislative leadership is to access LGIP and issue notes to the State of Nevada to cover their cash flow crisis due to declining revenues (\$330M budget deficit). The state wants to have the ability to secure the lesser of 25% of the LGIP Available Balance or \$160M. The draws would be made by the State Treasurer. The state has a comfort zone of \$200M. If their cash in the bank is under \$200M, they get a little nervous and they feel they need to have a little more for liquidity. Yesterday, Comptroller Kalt was at the Committee on Local Government Finance

meeting and he and Clerk/Treasurer Helton had been playing phone tag with the State Treasurer's Office for the past week. While in Carson, he walked over the State Treasurer's Office to try to find Mark Winebarger, the guy who is in charge. He wasn't in his office so he jokingly told the receptionist that he was there to withdraw Churchill County's money from the Investment Pool and requested large bills. He didn't realize that the State Treasurer's office was right behind that door. She came out to introduce herself and he then was able to talk to her for over an hour. Mark Winebarger also joined them in the discussion. He asked her if she had overheard what he had said but she said she only heard that he was from Churchill County and that he had questions about the Local Government Investment Pool. She went into great detail on her plan. The state is willing to give us a premium of 25 basis points (1/4%) to have access to up to 25% or \$160M. The original plan that leadership had asked for was access to \$300M, not \$160M. Their own projections indicate that they anticipate tapping the money most likely in March. The notes would be paid off over a four year period of time and that the legislation that is being proposed and written would require that 25% of it be paid off each year. That means that they would have a one year note, a 2 year note, a 3 year note and a 4 year note anytime they make a draw because they would have to fund those payments. They would pay us interest on a monthly basis on these funds. The special session will occur on Monday to amend the laws and classify the line of credit as an obligation of the state government that could occur.

The advantages of the plan, in Comptroller Kalt's mind, is that it allows the state time to address the budget crisis through the regular session. He would argue that they are making decisions hastily, hopefully, with the best information that they have available at the time, but it seems that it is being irrational at some points. Instead of doing a knee-jerk reaction, this would buy the state some time. It would protect the state's credit rating of AA. The state has never defaulted on any of their notes. This plan would significantly lower the cost of borrowing. If they were to go out to the market place, it would cost them over \$1.5M just to sell the bonds. Doing this line of credit, their transaction costs will be significantly less. It would provide them instant liquidity that they need on a timely basis. They are anticipating taking draws in large chunks, very similar to what you would do if you had a home equity line of credit. They will provide a market rate premium to LGIP participants.

Disadvantages of the plan include: additional risk to LGIP investors, credit risk and liquidity risk. LGIP's average maturity will likely be stretched significantly from 28 days when you do these 1, 2, 3 and 4 year notes. That could have an impact on liquidity. What happens if they have to sell other notes within their portfolio because there is a call on demand on the bank? The money that we have invested over there is our rainy-day fund and our capital projects fund. We invest all of our money. Our Clerk/Treasurer does an awesome job of making sure that we get as much interest earnings as we can so that we don't have idle money that is not earning interest. We need that to pay for projects, in the same fashion that the state needs their available cash balances to pay their bills. If, in fact, we do this, one of the disadvantages is that it could lock up a portion of that fund, albeit only up to 25%. If everyone had a demand for their money back and you had a run on the bank, it would effect the overall returns because you would probably have to end up liquidating securities at a loss, in the same manner if our Clerk/Treasurer had to liquidate some of our other investments and we have a laddered portfolio that stuff

is constantly coming mature throughout the various months and quarters. If we had to liquidate those, we may have a market loss. Other possible negative things are proposed legislative action. What if the legislature modifies and adopts something slightly different than what is being proposed? There is some risk on that.

A phrase that the Governor used in his very first inaugural address to the citizen's of Nevada was, "One Nevada". Local governments and the citizens within the state have a unique partnership with the State of Nevada. We serve the same constituents, taxpayers and business partners. We rely on each other for revenues and services provided. There are some services that historically are county services, some that are done by general improvement districts, cities and some that are traditionally state services. What the biggest advantage of this plan is that it provides them a buffer and time. It gives them time to make a more rational decision.

After he had his meeting with Kate Marshall, he called John Sweinseid, who is the crafter of the legislation or the bond counsel for the state. He asked and was assured that the protections are going to be there for the investors in the LGIP. He indicated that the State of Nevada has never missed a bond payment and if they were to default on this or any of their other bonds, we would have significant cost to the state and higher interest rates and our bond rating would go down. Clearly, our bond rating got reaffirmed as a Double A rating and that is a strong step.

Elko County and Humboldt County have removed at least a portion of their investments. Comptroller Kalt and Clerk/Treasurer Helton received a call from Pat Foley of Wells Fargo Bank. Wells Fargo Bank is establishing other investment options for clients to consider taking money out of the pool and investing it in their products. His personal opinion is that will have some political implications that the board needs to be aware of. Unfunded mandates that will be hammering local governments is clearly an issue. Being "One Nevada" and partnering with them needs to be considered as to whether that is an issue that we should die over and that we should make a stand and take our money out. He would personally submit that we are not there. He thinks that if this buys us time and allows us to go into the regular session where they are able to meet their cash flow using this, they will pay as a premium, then during the legislative process, allow the process to work where they further refine their budget mitigation plan and come up with a tax plan because it will have to be a combination of both. The worst risk we have is if the state closes the window with the bank and we don't have access to grab our money. That would be a risk that we would incur. If you go back to 2002 when he and Clerk/Treasurer Venturacci put together the Investment Policy, one of their goals was to go 50/50--fifty percent investments managed directly by the Clerk/Treasurer's office and fifty percent invested in the LGIP. We are now at 70/30%. We have not reached that balance. The fact that we have instant liquidity and the benefits of the LGIP outweigh that. Our Clerk/Treasurer can't be watching the market day-to-day trying to time buying different investments where, if you are managing \$750M, you can have personnel dedicated with the expertise to do that.

During this session, the state will solve the equation and it is going to be punitive. Some of the items for discussion include net proceeds of mines tax, geothermal revenues, supplemental fund by taking money from the counties' indigent accident fund. The SAGE Commission is looking at lots of different areas of grabbing our local resources. He thinks we need to "cooperate and graduate". As students, you do compete because

everyone wants to graduate with high honors but there are times that you have to cooperate. He thinks, through cooperation and working together, we can help resolve this problem. At the same time, we have to prudent investors. This is our taxpayer's money. We will be assuming additional risk. That raises the next question: what if he is right? What if he is wrong? There is a meeting tomorrow in Winnemucca at 10:00 a.m. Commissioner Frey has agreed to attend that meeting with Comptroller Kalt. Assemblyman Pete Goichechea has asked to meet with his constituents to raise concerns about this issue. Some of the things that Comptroller Kalt would like to bring up during the special session during the deliberation is the state's incremental borrowing rate, which is 5.5%. At the current rate, they will pay about 2.25%. Perhaps we could raise that premium, the 25 basis points. Perhaps they should raise that rate. The counter-argument to that is, if we pay you more then we will cut more and, oh, by the way, we are probably going to make the cuts directly related to counties, local governments, general improvement districts, and cities. So, there is an offset there. When they borrow that, it will be proportionate share. He reminded the board that our investment represents slightly over 4% of the investment in the total pool but that is 70% of our investments currently held in this investment. They assure Comptroller Kalt that the liquidity will still be there and that the rumor of them closing the window at the bank that, legally, they can't do that, so money would be available. We would have to address our Investment Policy at some point because our policy says we can't have investments that don't have demand feature within 3 years. Their proposal is a 4 year. That is another issue that he would like to propose at the session is reducing that pay back period from 4 to a shorter window. Also included in the board's packet was an article from the *Review Journal* about the plan, the Press Release from the State Treasurer's office outlining her proposal and some email correspondence that Clerk/Treasurer Helton has had with the State Treasurer's office. The *Las Vegas Review Journal* had an article yesterday regarding the legality and their legal opinion that the plan would be legal. He shows in the packets the most recent statements from our investment pool and the historical rates of return.

County Manager Goetsch said he and Alan have talked about this and he has talked to some of the other counties that are making calls and who are asking who plans to pull their money. Alan makes some great points and is in contact with the right people to give good advice on this. He relies on Alan extremely heavily on all of this. At this meeting that Commissioner Frey will attend, he'd like to tie some strings to this plan, one of them being that the state has to enact some tax reform. They have to get off of an economy that is based on rapid, urban expansion because that is not sustainable. They have to get to a disbursed, diversified, and sustainable economy. He thinks the counties need to push them into that. Tax reform and a realistic, sustainable plan has to be worked on. He'd like to have a condition that there is no next dip. If they take this dip and they are still in trouble and then they take another 25, and they are still in trouble, where does that go? He'd like there to be some ties or guarantees to restrict them from coming back to this well again if this doesn't get them out with the first dip. His personal feeling is, as Alan showed, a few months ago we were at \$27M and now we are at about \$33M in investments, so he'd like us to maybe keep 10% of that, which isn't much, but \$3-\$4M to shift our balance over a little bit and to reach towards that balance a little bit. He is deferring to the board but those are his thoughts about it. He thinks we have to

participate and that it would be mistake to take our money out and to take a position against the state, especially in the mood and the kind of panic the state is in right now.

Commissioner Frey said the thing that scares him is that a lot of this money is money that we need later in this fiscal year. If it is borrowed out of the pool, will the pool have the strength to maintain its liquidity? Comptroller Kalt replied that that is the biggest risk. It is kind of like borrowing money from your parents or lending it to your child. As the economy and your value of your investments are going down, are both entities going to become weaker as a result of it? That could happen. Commissioner Frey said, in and of that, it seems that there should be some additional investment in another area to protect us, so that we have the necessary operating funds for later in the year. Our policies are in place and it is very frustrating that we will loan the state a lot of money and then get beat up in the legislative session because they do not understand county operations. We have done a great job of getting our budget mitigation plan in operation so that we have enough funds to get through our year and the next few years in pretty good shape and now the state wants to play in our parade.

Commissioner Pearce agreed with Alan that we have to participate and we need to keep our eye on this special session and see how the wording of how this gets crafted and make sure that there is a sunset provision so they can't double dip. It will probably be an uphill argument for 3 years instead of 4 years on the pay back. Our investment is small enough that, even though it is a lot of money to us, that percentage could climb a little bit as other governmental agencies may pull their money out of the pool. He would argue that we are still small enough in that pool that our exposure, even if it increases, is still smaller. He can't imagine a scenario where they slam the doors and deny us access to our money because if we don't have money to operate, they will be responsible for us. It is to their benefit to be sure that we have the money to operate. He understands with the liquidity issue why we haven't done more in the private sector because the instant liquidity of that can't be matched in the private sector and the rates haven't been that bad. Comptroller Kalt said the good news is that we don't own Shearson Lehman, Citibank, Freddie Mac or Fannie Mae. Commissioner Pearce said the state is getting a deal and he thinks that needs to be pointed out to the legislators because they won't have to pay bond costs to go out there. Even though we make more money, they are paying probably half of what they would if they went out into the open market for this money. The state is getting a really good deal on us, so they need to take good care of those of us who stay in the pool and they need to remember that. He urged Comptroller Kalt to speak to Senator McGinness. He spoke to him as well and he is very concerned about this process. Conveying this board's concerns to him would be a great idea. He isn't a huge fan of this and he is very concerned about this and where it may lead to. Commissioner Pearce said he thinks we probably need to stick with it and be a part of it. He agrees with Commissioner Frey that no matter what we do, we will still get hammered in the session because they will be grasping for straws and looking anywhere they can—leave no stone unturned or fund unraided by the time they get done with the legislature.

Chairperson Washburn said she has to agree with that. She thinks we need to attend the meeting tomorrow to participate in the discussions but we really need to keep an eye on what it could do to us. She urges caution in the whole thing.

CLAIMS AND PAYROLL TRANSMITTALS

The claims and payroll transmittals submitted for this meeting were reviewed and approved.

15. Pursuant to N.R.S. 211.020, the Commissioners will conduct its Quarterly Jail Inspection at the Churchill County Jail upon close of meeting to inquire into the security of the jail and treatment and condition of the prisoners.

Commissioner Frey made a motion to conduct the Quarterly Jail Inspection following the Road Department meeting at around 2:30 or 3:00 p.m. The record should reflect that the Quarterly Jail Inspection was conducted and no problems were documented in association with such inspection.

There being no further business to come before the Board, the meeting was adjourned at 12:01 p.m.

APPROVED: _____

Gwen Washburn, Chair

ATTEST:

Kelly G. Helton, Clerk of the Board