

Governor Brian Sandoval
Chairman

James R. Wells, CPA
Clerk of the Board



Attorney General Adam Paul Laxalt
Member

Secretary of State Barbara K. Cegavske
Member

STATE OF NEVADA BOARD OF EXAMINERS

209 E. Musser Street, Room 200 / Carson City, NV 89701-4298
Phone: (775) 684-0222 / Fax: (775) 684-0260
<http://budget.nv.gov/Meetings>

MINUTES

Date and Time: September 12, 2017, 10:00 AM

Location: Old Assembly Chambers of the Capitol Building
101 N. Carson Street
Carson City, Nevada 89701

Video Conference Location: Grant Sawyer Building
555 E. Washington Avenue, Ste. 5100
Las Vegas, Nevada 89101

MEMBERS PRESENT:

Governor Brian Sandoval
Attorney General Adam Laxalt
Secretary of State Barbara Cegavske – Present in Las Vegas
James R. Wells, Clerk

OTHERS PRESENT:

Rudy Malfabon, Director, Department of Transportation
Dennis Gallagher, Counsel to the Department of Transportation
Janet Murphy, Deputy Director, Governor's Finance Office
Terry Albertson, Director, Department of Motor Vehicles
John Kruger, Automobile Association of America
Tonya Laney, Department of Motor Vehicles
James Dzurenda, Director, Department of Corrections
Nick Trutanich, Attorney General's Office
Steve Shevorski, Attorney General's Office

1. Call to Order / Roll Call

Governor: Good morning ladies and gentlemen, I will call the Board of Examiners Meeting to order. Madam Secretary, may I ask you a small favor, if you would not mind moving to the chair close to the microphone.

Secretary of State: I can do that sir.

Governor: All right, thank you. All Members are present.

2. Public Comment (No action may be taken upon a matter raised under public comment period unless the matter itself has been specifically included on an agenda as an action item)

Governor: We will move to agenda item number 2, Public Comment. Is there any member of the public present here in Carson City that would like to provide public comment to the Board? I hear and see none. Is there anyone present in Las Vegas that would like to provide public comment to the Board?

Secretary of State: There is nobody sir.

Governor: Thank you Madam Secretary.

3. Approval of the August 8, 2017 Minutes (For possible action)

Governor: We will move to agenda item number 3, Approval of the August 8, 2017 meeting minutes. Have the Members had an opportunity to review the minutes and are there any changes? If there are none, the Chair will accept a motion for approval.

Attorney General: I move to approve.

Governor: Attorney General has moved to approve the August 8, 2017 meeting minutes, is there a second?

Secretary of State: I second it.

Governor: Secretary of State has seconded the motion. Are there any questions or discussion? I hear none and see none. That motion passes 3-0.

4. Request to Purchase State Vehicles (For possible action)

Pursuant to NRS 334.010, no automobile may be purchased by any department, office, bureau, officer or employee of the state without prior written consent of the State Board of Examiners’.

AGENCY NAME	# OF VEHICLES	NOT TO EXCEED:
Board for the Regulation of Liquefied Petroleum Gas	1	\$37,000
Department of Administration – Fleet Services	104	\$2,729,858
Department of Agriculture – Commodity Food Program	3	\$262,575
Department of Conservation and Natural Resources - Division of Environmental Protection	1	\$23,958
Department of Conservation and Natural Resources – Division of Forestry	1	\$37,252
Department of Conservation and Natural Resources – Division of Water Resources	4	\$110,922
Department of Public Safety – Nevada Highway Patrol	3	\$110,494
Department of Public Safety – Nevada Highway Patrol	143	\$8,531,643
Total	260	\$11,843,692

Governor: We will move to agenda item number 4, Request to Purchase State Vehicles. Mr. Wells, good morning.

Clerk: Good morning, Members of the Board, there are eight requests for 259 vehicles in this agenda item.

The first request is from the Board for the Regulation of Liquefied Petroleum Gas Division to replace a pickup that has met the age and/or mileage requirements in the State Administrative Manual.

The second request is from Fleet Services to procure 104 vehicles to provide agencies under the newly approved lease purchase program. The request includes 6 pickup trucks, 56 sedans, 39 SUVs and 3 vans. These vehicles were included in the agencies’ legislatively approved budgets.

The third request is from the Department of Agriculture to replace an SUV and a tractor and trailer combination for use in the Commodity Food Program. These vehicles are being purchased with Food Distribution Program Administrative Funds which must be obligated by September 30th. The work program for this request was approved at the August Interim Finance Committee (IFC).

The fourth, fifth and sixth requests are from various divisions of the Department of Conservation and Natural Resources to purchase four new and two replacement vehicles. These vehicles include a Helitack mechanic truck and three pickups which were part of the Drought Initiative approved by the Legislature. Five of the six were included in their legislatively approved budgets and the sixth comes from reserves in a non-executive Water Basin Account.

The seventh request is from the Department of Public Safety Nevada Highway Patrol to replace three vehicles which were totaled in accidents. Funding for these vehicles comes from the Crash Fund financed by insurance recoveries.

The last request is also from the Department of Public Safety Nevada Highway Patrol to replace 125 police interceptors and 18 pickups over the biennium which have met the age and/or mileage requirements in the State Administrative Manual. There are 59 vehicles scheduled to be replaced in fiscal year 2018 and the 84 in fiscal year 2019 which was requested in the agency's budget and were approved as part of the agency's one-shot funding in Assembly Bill 507.

There are representatives available to answer any questions the Members may have.

Governor: Thank you Mr. Wells. As you said, this is routine and has been in the budget. I am sure all those over at DPS are very excited to get these new vehicles and for everyone that is going to have use of them, we appreciate your hard work and we want to make sure that we have equipment that is safe, new and best-in-class. Are there any questions from Board Members on agenda item number 4? If there are none, the Chair will accept a motion for approval.

Attorney General: I move to approve.

Governor: The Attorney General has moved to approve the State Vehicle Purchase, presented in agenda item number 4, is there a second?

Secretary of State: I second Governor.

Governor: Thank you Madam Secretary. Madam Secretary has seconded the motion. Are there any questions or discussion? I hear and see none. That motion passes 3-0.

5. Request to Approval to Pay a Cash Settlement (For possible action)

Pursuant to Article 5, Section 21 of the Nevada Constitution, the State Board of Examiners may approve, settle or deny any claim or action against the State, any of its agencies or any of its present or former officers, employees, immune contractors or State Legislators.

Department of Transportation (NDOT) – Administration - \$848,600

The Department requests settlement approval in the total amount of \$1,904,600 to fully resolve an eminent domain action to acquire .6 acres of real property owned by Ferris Investments, Inc., located at 1918 and 2000 Highland Drive in Las Vegas. NDOT previously deposited \$1,056,000 with the Court for a right of occupancy. NDOT now requests an additional \$848,600 to resolve the action.

Governor: We will move to agenda item number 5, Request for Approval to Pay a Cash Settlement, Mr. Wells.

Clerk: Thank you Governor. Item 5 includes a request for approval of a cash settlement from the Department of Transportation relating to Project NEON.

The request in the amount of \$848,600 will fully resolve an eminent domain action to acquire two non-contiguous improved properties totaling approximately 0.6 acres. The original action was to acquire portions of the parcels, but the landowner has requested the State purchase all of the parcels except a billboard footprint due to the required destruction of buildings which would have to be redeveloped after completion of construction. The excess land will be used during construction but will likely be disposed of at the end of the project. Approval of the additional amount would bring the total settlement for this particular action to \$1,904,600.

Director Malfabon and Mr. Gallagher are available to answer any questions the Board may have.

Governor: Good morning gentlemen.

Director Malfabon: Good morning Governor, good morning Board Members. For the record, Rudy Malfabon, Director of Nevada Department of Transportation. This settlement is associated with the two parcels on Highland Avenue, totaling 0.6 acres. They are needed for Project NEON. We also had to acquire a temporary easement for construction and a permanent easement for maintenance, after the project was completed. There were buildings there that were pre-existing and a billboard as Director Wells had mentioned.

We had previously deposited \$1,056,000 with the Court, which was our estimate for a partial acquisition of the property. The appraisal for the two parcels was approximately \$1.8 million. Working with the Attorney General's Office, we were able to negotiate a settlement of \$1,904,600, which amounts to an additional \$848,600 that we are requesting to settle this matter today.

We would acquire the entirety of the two parcels and a small amount of property as was indicated for the billboard relocation. It is less expensive than eliminating the billboard. We would have to pay for lost revenue and a lot more costs. The billboard company is satisfied with the relocation as well as the property owner. We felt that our exposure in this acquisition was well in excess of \$3,000,000. We feel it is in the best interest of the State

to settle this case. We feel that this acquisition is reasonable and we will request reimbursement from the Federal Highway Administration for this acquisition.

Governor: Thank you Director. You covered most of the points but another thing I always like to make sure is on the record, Mr. Gallagher, not only is there a potential savings of \$1,000,000 in terms of exposure, but there is also a savings to the State with regard to potential attorney's fees and costs. Not only our own but the adverse party.

Dennis Gallagher: For the record Dennis Gallagher Counsel to the Department. You are entirely correct. In addition to the value, there are the litigation costs that the State will save that will be in a couple hundred thousand dollars, easily, from both sides. This settlement, I think is fair, just and equitable to the property owner, as well as the State. As the Director indicated when the Department is through with this property, there may be a chance to recoup some of the settlement cost going forward.

An additional cost, Governor, that I think needs emphasis is the fact that the property would sit vacant for a number of years while the Department used it and when it would be returned to the property owner, the Department would be responsible for reconstructing the two buildings, which is an additional costs that, under this settlement, is saved.

Governor: Thank you Mr. Gallagher. We are always trying to find that balance because certainly the property owner is entitled to just compensation but at the same time, we have to be good shepherds of the public's money and the tax money. This is a settlement that I think has achieved that balance. Just quickly, Director Malfabon, I know I have had the benefit of this conversation, in fact, we had our State Board of Transportation meeting yesterday and there was a presentation on Project NEON. We have made a lot of progress with regard to Project NEON and in fact, with regard to the property acquisition, we are below what had been budgeted for that and almost finished acquiring all the property to finish the project. Is that accurate?

Director Malfabon: Rudy Malfabon for the record. That is correct, Governor. We are about 44% complete with the project. Just a handful of other settlements. We have a couple coming to the Board of Examiners next month and we have other projects that we will probably be acquiring property for.

Governor: Thank you gentlemen. Are there any questions or comments from other Board Members with regard to agenda item number 5?

Secretary of State: No Governor.

Governor: All right, if there are none, the Chair will accept a motion to approve a settlement in the amount of \$848,600 as presented in agenda item number 5.

Attorney General: Move to approve.

Governor: Attorney General has moved for approval. Is there a second?

Secretary of State: I second it Governor.

Governor: Seconded by the Secretary of State. Are there any questions or discussion on the motion? I hear and see none. That motion passes 3-0. Thank you very much.

6. Approval of Proposed State Administrative Manual Changes

(For possible action)

The State Administrative Manual (SAM) is being submitted to the Board of Examiners' for approval of additions and revisions in the following chapters:

2500 – Budgeting

Governor: We will move to agenda item number 6, Approval of Proposed of State Administrative Manual Changes. Director Wells.

Clerk: Thank you Governor. Item 6 seeks approval to revise State Administrative Manual, Chapter 2500, regarding Budgeting.

Deputy Director Janet Murphy will go through the highlights of the changes to the chapter and answer any questions the Board Members may have.

Governor: Good morning.

Janet Murphy: Good morning Governor.

Governor: Please proceed.

Janet Murphy: Thank you. For the record, Janet Murphy, Deputy Director of the Governor's Finance Office. I will give you a quick overview of the changes we have made to the Budget Section of the State Administrative Manual. We eliminated sections that are no longer relevant. We combined sections for better understanding. We have revised many of the sections to reflect our current processes. Many of the proposed updates addressed the split of the Governor's Finance Office from the Department of Administration and we streamline chapters by linking Nevada Revised Statute (NRS) and Nevada Administrative Code (NAC) versus restating them. So, many of the sections were eliminated because of that.

The Secretary of State's Office reached out to us when we had the SAM changes posted and they requested two changes. The first request is to Section 2510 and that is on page 2 of the section. In the second paragraph, what the Office pointed out is though this Administration's goals and objectives are aligned with the Governor's goals and objectives, it may not always be the case. The proposed change is to the second paragraph, the first sentence where it states, performance measures should reflect the extent to which the budget, as presented, will enable the agency to "achieve the Governor's goals and objectives". We recommend that that is changed to 'achieve the goals and objectives of the Executive Budget'.

Then the next one is on Page 3, Section 2514, under Bill Draft Requests. The Secretary of State's Office pointed out to us that under NRS 218D.175, Paragraph 3, each Constitutional Officer can submit Bill Draft Requests (BDR) without the approval of the Governor or the Governor's designated representative. So therefore, we recommend the second paragraph start with 'Accept as provided in NRS 218D.175 (3), LCB is prohibited from' and then start the rest of the sentence, would be fine.

With that, I will take the questions.

Governor: Thank you very much. Are there any questions or comments from Board Members? It seems straightforward. So, if there are no questions or comments, the Chair will accept a motion to approve the State Administrative Manual changes with the amendment to that proposal from the recommendations of the Secretary of State's Office.

Attorney General: Move to approve.

Governor: Attorney General has moved for approval. Is there a second?

Secretary of State: I second it Governor. Thank you Governor.

Governor: Seconded by the Secretary of State. Are there any questions or discussion on the motion? I hear and see none. That motion passes 3-0. Thank you very much.

7. Review and Approval of the Department of Administration's Fiscal Year 2017 4th Quarter Report and Fiscal Year 2018 1st Quarter Requests for Disbursement of Funds for the Victims of Crime Fund
(For discussion and possible action)

Pursuant to NRS 217.260, the Board of Examiners estimates available revenue and anticipated claim costs each quarter. If revenues are insufficient to pay anticipated claims, the statute directs a proportional decrease in claim payments.

The 4th quarter Fiscal Year 2017 Victims of Crime Program report states all approved claims were resolved totaling \$4,824,505.75 with \$1,219,457.36 paid out of the Victims of Crime Program account and \$3,605,048.39 resolved through vendor fee adjustments and cost containment policies.

The program anticipates future reserves at \$10 million to help defray crime victims' medical costs.

Based on these projections, the Victims of Crime Program recommends paying Priority One, Two and Three claims at 100% of the approved amount for the 1st quarter of fiscal year 2018.

Governor: We will move to agenda item number 7, Review and Approval of Department of Administration's Fiscal 2017, Fourth Quarter Report and Fiscal Year 2018, First Quarter Request for Disbursement of Funds for Victims of Crime Fund. Mr. Wells.

Clerk: Thank you Governor. Pursuant to NRS 217.260, the Board of Examiners is required to estimate the available revenue and anticipated claims costs for the State Victims of Crime Program. This item includes a report on the claims paid in the fourth quarter of fiscal year 2017 and a recommendation to pay Priority 1, 2 and 3 claims at 100% for the first quarter of fiscal year 2018. The Program anticipates having a reserve at the end of the first quarter of fiscal year 2018 of approximately \$11.7 million after covering all expenses and a 45-day operating reserve which is roughly the same as the \$11.9 million projected for the fourth quarter at the last meeting where we discussed this topic. This does represent a comfortable reserve for this particular program.

There are representatives from the Victims of Crime Program available in Las Vegas if there are any questions.

Governor: Thank you Mr. Wells. I have no questions. Board Members, any questions with regard to agenda item number 7?

Attorney General: Move to approve.

Governor: Attorney General has moved to approve agenda item number 7. Is there a second?

Secretary of State: I second it Governor.

Governor: Seconded by the Secretary of State. Are there any questions or discussion on the motion? I hear and see none. That motion passes 3-0.

8. [Approval of Proposed Leases](#) (For possible action)

Governor: We will move to agenda item number 8, approval of proposed leases. Mr. Wells.

Clerk: Thank you Governor. There are four leases in agenda item 8 for approval by the Board this morning. No additional information was requested by any of the Members.

Governor: Thank you Mr. Wells. Are there any questions from Board Members? I hear and see none. Is there a motion to approve the proposed leases presented in agenda item number 8?

Attorney General: I move to approve.

Governor: Attorney General has moved to approve agenda item number 8. Is there a second?

Secretary of State: I second it Governor.

Governor: Seconded by the Secretary of State. Are there any questions or discussion on the motion? I hear and see none. That motion passes 3-0.

9. Approval of Proposed Contracts (For possible action)

Governor: We will move to agenda item number 9, Contracts. Mr. Wells.

Clerk: Thank you Governor. There are 63 contracts in agenda item 9 for approval by the Board this morning. Contract number 57 between the Department of Conservation and Natural Resources Forestry Division and Prime Turbines, LLC, contract number 59 between the Department of Business and Industry, Athletic Commission and Francisco Soto has been withdrawn and contract number 60 normally would be signed by the Clerk but was brought to the Board for approval due to the policy change to outsource certain transactions. Members have requested information only on contract number 60 between the Department of Motor Vehicles, Field Services Division and American Automobile Association of Northern California, Nevada and Utah.

Governor: I am sorry Mr. Wells, which contracts did you want to be withdrawn or are going to be withdrawn?

Clerk: 57 and 59.

Governor: All right. And, we are holding out contract number 60, correct?

Clerk: Correct.

Governor: All right, the other contract I wanted to be held out is number 9.

Clerk: Correct.

Governor: Okay. With regard to number 9, I have no questions but I am not going to participate in the vote on agenda item number 9 which is a contract between the Governor's Office of Economic Development and the Ferraro Group. The Principle in the Ferraro Group is a longtime friend of mine that I have known since college. This is a renewal of a contract that existed before I even came into office but to avoid any appearance of bias or impropriety, I am not going to participate in the vote on agenda item number 9.

Let us move to agenda item number 60. DMV. Good morning Director.

Terry Albertson: Good morning, Governor and Members of the Board. For the record, Terry Albertson, Director of the Department of Motor Vehicles (DMV). I am very happy to be here before you today for a contract for a no-cost pilot for the Department of Motor Vehicles to enter with Automobile Association of America (AAA), who has provided similar services in California for many decades. Also, customers are accustomed to having this service when they move here from California. John Kruger, here to my left, represents AAA and can provide some history on AAA's services and work with Department of Motor Vehicles in other jurisdictions.

We are limiting the transactions that AAA will provide to our customers, to those related to vehicle transactions. It would be primarily a new registration, a title and handicap placard. Customers will have the ability to transfer their plates or surrender them at the AAA office. One of the things that are unique in this particular location is that AAA will provide both California and Nevada DMV Services. We kind of have a line there between the two jurisdictions. We are very excited for this opportunity. AAA has been a wonderful partner with the Department as far as providing locations for our self-service kiosks. This is just the next step in our business partnership with them to provide services to our customers.

Another benefit for having this pilot program is that AAA is going to be open on Saturday. Currently, there are no Saturday services here in the Carson City area. With that, I would be happy to answer any questions you might have.

Governor: Thank you Ms. Albertson. How many locations will there be?

Terry Albertson: Terry Albertson for the record. This is going to be a pilot. We are starting here in Carson City. During the Legislative Session, we presented to the Legislature that we would potentially expand services in the Northern Reno area with the addition of our new South Reno facility. That is an option that we are going to consider and leave open. And again, we are hoping for a very successful pilot here in Carson City. We could potentially then expand those services to Southern Nevada, as well. And again, we anticipate that this will be a very successful pilot.

Governor: How long will the pilot be?

Terry Albertson: Six months.

Governor: And then after six months, you will take a look and see how it went?

Terry Albertson: Correct and then expand it accordingly. Again, AAA is located in convenient locations. Keeping people out of the DMV offices and into this AAA is somewhat unique in that they are a non-profit corporation. John, if you would like to provide a little bit of history.

Governor: Mr. Kruger, you took all this time and effort to be here and I appreciate this. Would you perhaps talk a little bit about the experience that you have had in other states where you have had pilots and gone on to use it. Then, if it is not proprietary, I am wondering, how many customers you have with AAA in Nevada and what the benefit of that would be.

John Kruger: For the record, my name is John Kruger with the American Automobile Association of Nevada. AAA has been registering vehicles since the 1900's. We registered the first Stanley Steamer back in 1900. We currently have seven states that I represent. Six of which are currently providing vehicle title, transfer and registration. We currently have 388,000 members in Nevada alone and I can tell you, on a weekly basis, our Carson City office receives no less than 12 comments from constituents saying how convenient it would be to be able to offer those services in our offices.

Governor: If I were an AAA customer and I lived in Reno, could I come to Carson on a Saturday and get that service?

John Kruger: Absolutely.

Governor: Okay.

Terry Albertson: And, Governor, for the record, I would like to point out, you do not have to be an AAA member to access the DMV services at AAA.

Governor: Oh, that is important.

Terry Albertson: It is open to all constituents.

Governor: Okay. That is really important to know. Thank you for making that distinction. All right, Board Members, any other questions with regard to this contract?

Secretary of State: No, Governor, but I do want to disclose, just because you said it, I am an AAA member and have been for over 30 years.

Attorney General: Director Albertson, I would just ask, so there will be a six-month pilot and then assume you like it, does that just continue on or does it have to come back to the Board? I am just kind of curious how it all moves forward in the future.

Terry Albertson: Thank you for the question Mr. Attorney General. We believe that the way the contract is being done that we would simply be able to add locations to the existing contract. So again, it would be a no-cost amendment to the contract to add various locations. It should not require us coming back to the Board for approval unless you would like that.

Attorney General: No, it is okay. Just checking in. Thank you.

Secretary of State: Just to follow-up on the Attorney General, I am just asking, how many locations in Nevada or is it every AAA Office in the State?

John Kruger: Yes, thank you for the question. It would be all offices in the State of Nevada.

Secretary of State: Okay, thank you.

Terry Albertson: Yes, so Madam Secretary, again, for further clarification, that would be something that would be decided both between AAA and the Department as far as what locations would be appropriate for these services. It could be all, but it also could be select ones, based on the need and currently we have 12.

Governor: All right, thank you. Director Albertson, good news, the Board of Finance approved your bonds today, so hopefully those will go on sale next month and get going

on that new Reno DMV building. While you are here, any update with regard to wait times and what is happening at the respective DMV Offices?

Terry Albertson: Oh Governor, yes. The wait times have improved. Again, we are continuing to promote our alternative services. Tonya Laney is here at the table with me and can probably speak more specifically to the actual wait times. I will be open and transparent about the fact that we are having many difficulties with our cuing system and our ability to obtain reports to accurately reflect those wait times. We are getting ready to go out to Request for Proposal (RFP) in order to replace the current system because it has been a challenge for us from day one. Tonya, I do not know if there is anything you would like to add on wait times.

Tonya Laney: Good morning Governor and Members of the Board. Yes, as Terry alluded to, we have had some difficulties with our current cuing system and so we do have an RFP being developed for that system. The appointment portion of the cuing system has, however, been very successful. We have received 100% positive feedback on the appointment system. Customers are booking appointments and coming in and being seen on those appointments within a 10-minute window. Most of them are actually called before their appointment time.

The part of the system that we are having the issue with is the algorithm if you are a walk-in customer that tells you how long your wait is going to be. That is the portion of the system that we will be addressing through the RFP when selecting a new vendor.

Governor: And, how long will that process take?

Tonya Laney: The current vendor is under contract with us through December of next year. We will be doing a six-month pilot for whoever the selected vendor is for the cuing system. Then we will make a seamless transition once that pilot is over and successful to carryover as the new cuing system in all the offices. That pilot will be at the Reno location.

Governor: Thank you very much. Do we have to wait until the other contract is finished in order to start the new one if the old one is not working. I guess that is a question for the Attorney General's Office to see what is going on with that, but I would really not want to make the people of the State have to wait another year and a half before we have an improvement.

Terry Albertson: Thank you Governor. That certainly is something we could discuss with the Attorney General's Office to see if that is an option available to the Department.

Governor: Just an early termination.

Terry Albertson: Correct, for non-performance, yes.

Governor: Okay, thank you. All right, Board Members, any other questions on this agenda item?

Attorney General: Just one follow-up. One, of course, we would love to help with that. Just reach out to us. You mentioned there were 12 AAA sites, just curious, where are they spread out? Is it just Reno and Vegas and Carson or anywhere else in the State?

John Kruger: Pretty much just Reno, Vegas and Carson.

Attorney General: Okay, thank you.

Governor: All right, thank you very much.

Terry Albertson: Thank you Governor.

Governor: All right, Board Members, any further questions with regard to agenda item number 9? If there are none, the first motion I will take is to approve contracts 1-63 with the exception of 9, 57 and 59.

Attorney General: Move to approve.

Governor: The Attorney General has moved to approve all of the contracts with the exception of 9, 57 and 59, is there a second?

Secretary of State: I second it Governor.

Governor: Seconded by the Secretary of State. Are there any questions or discussion on the motion? I hear and see none. That motion passes 3-0. I will ask the Attorney General to handle contract number 9.

Attorney General: I move for us to approve contract number 9 in agenda item number 9. Do I have a second?

Secretary of State: Second.

Attorney General: Any further discussion on the matter?

Governor: I will be abstaining from this motion for the same comments that I previously stated.

Attorney General: Okay. Seconded by the Secretary of State. That motion passes 2-0, with the Governor abstaining.

Governor: Thank you Mr. Attorney General.

10. Approval of Proposed Master Service Agreements (For possible action)

Governor: We will move to agenda item number 10, Approval of Proposed Master Service Agreements (MSA). Mr. Wells.

Clerk: Thank you Governor. There are seven master service agreements in agenda item 10 for approval by the Board this morning. Agreements 2, 4 and 5 are for zero dollars. These MSA documents basically establish the terms and conditions between the State and the vendor. Agencies will access these agreements by submitting a work order with the specific scope of work and the price for that scope. Each work order will be subject to the BOE thresholds; meaning the Board Members will approve each work order that exceeds \$50,000 and the Clerk will approve and report each work order between \$10,000 and \$50,000. No additional information has been requested by any of the members on the master service agreements.

Governor: Okay, thank you Mr. Wells. I just wanted to point out, number 7, \$16 million for Universal Security Services, which in essence is private security for State buildings and State agencies. I think that is important to point out in terms of protection of State employees as well as the public. If there are no further questions or comments, the Chair will accept a motion to approve the MSA's presented in agenda item number 10.

Attorney General: Move to approve.

Governor: The Attorney General has moved for approval, is there a second?

Secretary of State: I second it Governor.

Governor: Seconded by the Secretary of State. Are there any questions or discussion on the motion? I hear none and see none. That motion passes 3-0.

11. Information Item – Clerk of the Board Contracts

Pursuant to NRS 333.700, the Clerk of the Board may approve all contract transactions for amounts less than \$50,000. Per direction from the August 13, 2013 meeting of the Board of Examiners, the Board wished to receive an informational item listing all approvals applicable to the new threshold (\$10,000 - \$49,999). Attached is a list of all applicable approvals for contracts and amendments approved from July 19, 2017 through August 22, 2017.

Governor: We will move on to agenda item number 11, Clerk of the Board Contracts, Mr. Wells.

Clerk: Thank you Governor. There were 41 contracts under the \$50,000 threshold that were approved by the Clerk between July 19, 2017 and August 22, 2017. This item is informational only and no additional information has been requested by any of the members.

Governor: All right, thank you Mr. Wells. Board Members, any questions with regard to agenda item number 11?

Secretary of State: None.

Governor: All right. Thank you.

12. Information Item – Department Reports

A. Department of Conservation and Natural Resources – Division of State Lands

Pursuant to NRS 321 .5954, the Department of Conservation and Natural Resources, Division of State Lands is required to provide the Board of Examiners quarterly reports regarding lands or interests in lands transferred, sold, exchanged, or leased under the Tahoe Basin Act program. Also, pursuant to Chapter 355, Statutes of Nevada, 1993, at page 1153, the agency is to report quarterly on the status of real property or interests in real property transferred under the Lake Tahoe Mitigation Program. This submittal reports on program activities for the 4th quarter of fiscal year 2017.

Additional Information:

- 1989 Tahoe Basin Act
There were no transfers of lands or interest in lands during the quarter.
- Lake Tahoe Mitigation Program
The agency reports that there were no acquisitions of land or interest during the quarter. However, there was one land coverage transaction that resulted in \$71,240 in proceeds for the Nevada Land Bank program.

B. Department of Motor Vehicles - Complete Streets Program

Pursuant to NRS 482.480, Subsection 11, the Department of Motor Vehicles shall certify to the State Board of Examiners the amount of the voluntary contributions collected for each county by the department and its agents, and that the money has been distributed as provided in statute. This report is for the period beginning April 1, 2017 and ending June 30, 2017.

C. Department of Motor Vehicles - Complete Streets Uses

Per the Governor's request during the November 2015 BOE meeting, a letter was sent to Clark and Washoe counties and Carson City Consolidated Municipality requesting a report on how the Complete Streets Program funds are being utilized. This report is for funds received through June 2017.

D. Fiscal Year 2017 – 4th Quarter Overtime Report

Governor: We will move to agenda item number 12 which are Department Reports, Mr. Wells.

Clerk: Thank you Governor. There are four information reports included in agenda item number 12.

The first is an informational report regarding lands or interests in lands, transferred, sold, exchanged or leased under the Tahoe Basin Act Program, as well as a quarterly report on the status of real property or interest in real property transferred under the Lake Tahoe Mitigation Program which are required pursuant to NRS 321.5954 and Chapter 355, of the Statutes of Nevada, 1993 respectively.

This report is for the quarter ending June 30, 2017. There was no activities under the Tahoe Basin Act but there was a sale in the Cave Rock area under the Lake Tahoe Mitigation Program which resulted in proceeds of \$71,240 for the Nevada Land Bank.

The second report is from the Department of Motor Vehicles on the voluntary contributions collected by the county pursuant to NRS 482.480, which is the Complete Streets Program. This is for the period from April 1, 2017 to June 30, 2017.

During the quarter, the Department collected \$89,000 compared to just shy of \$81,000 in the same period last year and just over \$84,000 in the third quarter. For the year, the Department collected \$328,569, which is a 9% increase from the prior year. Of the amount collected, approximately 77.4% was from Clark County, 16.6% was from Washoe County, and right around 3% each for Carson City and Douglas County. After deducting the 1% to administer the program, the Department distributed \$325,000 to the four counties for Fiscal Year 2017 compared to \$298,820 in Fiscal Year 2016.

As far as those who are registering vehicles, approximately 14.3% are contributing to this program. That ranges from 10.74% in Douglas County to just shy of 15% in Clark County. This is an increase from the 13.6% who contributed in Fiscal Year 2016.

The third report describes the uses of the Complete Streets Program by the four recipient counties as requested by the Board at the November 2015 meeting. For the most part, these projects are moving forward in Clark County and are being reserved in the other three counties for upcoming projects.

The final report is on overtime paid for the fourth quarter of Fiscal Year 2017. Overtime pay and accrued compensatory leave accounted for a total of approximately \$46.8 million, or 4.74% of total pay, for Fiscal Year 2017, which is a 28% increase from Fiscal Year 2016.

The five agencies with the highest dollar amount of overtime and accrued compensatory time for the year account for 90.2% of the total. They are the Department of Corrections at \$15.5 million. The Department of Health & Human Services at \$10.6 million. The Department of Public Safety at \$7.3 million. The Department of Transportation at \$5.6 million and the Department of Conservation and Natural Resources at \$3.2 million.

At the Department of Corrections, overtime and comp time are driven by the large institutions and medical personnel. Overtime and comp time for the year was greatest at High Desert State Prison with just over \$3 million, followed by Ely State Prison at \$2.5 million. The Northern Nevada Correctional Center at \$2 million. Southern Desert at \$1.8 million. The Prison Medical budget at \$1.6 million. Florence McClure Women's Correctional Center at \$1.2 million and Lovelock Correctional Center at just under \$1.2 million. Those seven equating to 85.7% of the total. Comparing Fiscal Year 2016 to Fiscal Year 2017, those budget accounts basically increased across the board, as well as there were some increases at several of the other smaller budget accounts. By event code, the four highest causes accounted for 72% of the total overtime. They were covering vacant shifts which accounted for \$5.2 million. Covering for inmates at the hospital at \$2.8 million. Covering holiday shifts at \$2.2 million. Covering for employees who were in training at just over \$1 million.

At the Department of Health and Human Services, overtime was driven by Public and Behavioral Health at \$4.4 million of the \$10.6 million total. That was primarily at the Southern Nevada Adult Mental Health and Facility for the Mental Offender budget accounts, Child and Family Services was about \$3.3 million and that was spread fairly evenly across their budget accounts. And Aging and Disability Services Division at \$1.8 million, primarily at the Desert Regional Center. By event code, for the Department of Health and Human Services, the highest four causes accounted for 65% of the overtime. They were covering vacant shifts at \$2.9 million. Covering 24-hour posts at \$2.1 million. Covering holiday shifts just shy of \$1 million and reducing backlog \$865,000.

The highest five by percentage of total pay for the year are the Department of Corrections at 10.56%, the Department of Veterans Services at 10%, the Department of Public Safety at 8.8%, the Department of Conservation and Natural Resources at 7.9% and the Department of Transportation at 5.8%.

The top five increases by dollar comparing Fiscal Year 2016 to Fiscal Year 2017 were the Department of Corrections increased by \$4.5 million. The Department of Conservation and Natural Resources increased by \$1.4 million. Health & Human Services by \$1.3 million. Transportation by \$1.2 million and Public Safety by \$850,000. That accounts for about 92% of the total increase from Fiscal Year 2016 to Fiscal Year 2017.

And with that, I will answer any questions that the Board Members may have.

Governor: Thank you Director Wells. I do not have any questions for you Mr. Wells but I would ask Director Dzurenda to come forward, please. Good morning Director, I know we have had this conversation, actually with the other two members here on the Board of Prison Commissions, but will you talk a little bit about what the circumstances are that have led to the overtime, please?

Director Dzurenda: Good morning. For the record, James Dzurenda, Director for Nevada Department of Corrections. What we have been looking at, which I have to show a better picture to the public because I would like to publicize where the driving rates are

going for the overtime and I want to make sure the public understands what happens with certain positions or certain incidents inside facilities, which drives our overtime.

What I wanted to show which is different from this year and last year is the hospital stay has almost doubled. A hospital stay is, when we have one inmate that is spending the night at the hospital for surgery or for other medical or specialized services, it minimally takes two officers. If it's high security or those that are on death row, it could be up to three officers and this is 24-hours a day. I think it is important to show where our numbers increased over this year from last year. Medical trips continue to increase. I do not understand why the number of trips was more this year than last year. Our backlog of trips has actually increased. So, what we tried to do to curb overtime is trying to prioritize medical trips to those that are absolutely necessary and putting the ones that are not on the back burner, which they eventually catch up to us. I am trying to show a picture of where those trips are going and what type of specialties are needed, whether it is oncology or radiology, things that we cannot provide in the Department that increase our overtime.

Our vacancy rate for the Department of Corrections continues to rise. We currently are about 1 out of 10 of those that we have recruited that actually stay in the Department. I want to show how many actually applied, how many we accepted and how many actually finished the academy and come to the Department. I think that is important to show where our vacancies have gone.

Governor: Let me clarify that, if I may, Director Dzurenda. You are talking about 1 out of 10 applicants, ultimately accept a position?

Director Dzurenda: James Dzurenda for the record. One out of ten that accepted actually make it forward to where they are going to be working at the facility. It could be they fail out of the academy or it could be they make the academy and they go to another location. It could be that, they just dropped out and we do not understand why they just never tell us. I think it is important to show that because that is going to show me the trend of this. It will show what we have to increase and whether we have to do something better to get more applicants or better applicants. Currently, we are recruiting now through the Armed Services, which I think we will start seeing some better-qualified candidates.

The other thing I think is important like I said, is our vacancy rate. This morning, we were at 172 correction officer vacancies. Those vacancies do not include worker's compensation, sick and leave time. At any given time, we could have up to 300 staff members that are on some type of leave; whether it is a vacancy or a leave that affects the overtime rates. I think that is important to show every time that increases our overtime will increase.

Governor: Before you move on Director Dzurenda, this has been an ongoing issue, as long as I have been in this position. As you know, we have dramatically increased the salary structure with regard to correctional officers. What do you think the bottom line is in terms of those vacancies? Is it the location of the facilities that have something to do with filling those positions?

Director Dzurenda: Absolutely. That is part of it. It is not the whole picture. Ely is an extremely difficult place to be able to hire new recruits. That is why, if you look at our overtime, we have moved the mental health out of Ely and we decreased our segregation. Segregation is our most expensive housing. The number of officers per inmate is based upon the violent rates, escorts and the type of housing it is. It is single cells, not double because of their violent history or their potential for violence. Inmates are not doubled up for disciplinary segregation.

We have decreased our disciplinary segregation statewide. We have not decreased it in Ely. Anytime we decrease it in Ely, we move offenders from other segregation units around the state, into those roles, because the staff are better equipped and trained to deal with them on site at Ely. Decreasing in the other facilities means that we could close segregation units and double up cells for the general population.

That is where my goal is, figuring out where we are going to start saving on overtime because now I could start pulling offenders out that are causing unconventional housing. Unconventional housing is extremely expensive and the reason why when you have multiple unconventional housing, each one has to be staffed with an individual officer. Usually, the unconventional housing is up to 25, sometimes 10. When you are having one officer for 10 inmates or one officer for 25, the cost and the overtime goes up because you need more staff. My goal is reducing the unconventional housing because that is where we are going to start saving some money.

Governor: Perhaps you will get to this, but part of that mitigation is caused because one of the wings is closed at High Desert, correct? And then, you are going to be sending some inmates out of state, which will help as well, correct?

Director Dzurenda: James Dzurenda for the record. That is correct, that is part of it. If you watch our trend lines of our numbers over the last two years, our inmate population continues to increase. Except for the last couple months when I worked with the data from Las Vegas Metro, their population that they are getting, even though they are full is more of misdemeanors. They had 27% decrease in felony convictions, which means that we should be getting 27% fewer inmates coming from the Counties. This is the reason why our population is not getting any bigger today than it was two months ago, even though over the last 18 months, it continued to increase.

When we start having maintenance issues in Building 8 at Southern Desert, we have to put these offenders somewhere and it is going to be more expensive. That is why we are thankful as part of the Governor's Recommended Budget of sending inmates out of state. My goal with sending inmates out of state is to concentrate on those offenders that are causing the most violence in our prisons. The ones causing the most gang issues, the ones doing the most recruiting and that are doing the extorting of the other offenders to make it known to those gang members. We are not going to tolerate this.

I think that is going to set a tone to the other facilities that we are not going to accept this behavior. I think that we are going to start seeing decreases in our violent rates and decreases in discipline because they know there is going to be some type of action taken

against them that is going to be different from segregation. Segregation tends not to be a deterrent after a period of time. When you use too much segregation, inmates use that as status in the gang. They brag about how many times they have been put in segregation and that they are tougher than other offenders. Showing they are loyal to gangs which becomes almost a tool for the offenders rather than a tool for the Staff for controlling behavior. I think this out of state placement is going to play a huge role with controlling our behaviors in our facilities. Decreasing segregation and decreasing discipline which will make it safer for staff. We are going to start seeing if we can decrease 51 inmates in segregation. That means we can open up a housing unit for 100, taking inmates off of those more expensive floors and decreasing the staff levels in those units because we will not need them for segregation. That is a great plan for our future to have to show that to the public in view. You will start seeing this having an effect on our overtime as well.

The other thing that keeps coming up is that we are trying to balance our hospital/doctor visits with what we can do onsite. We are trying to do a better recruiting and hiring additional medical staff so we can do more at the facilities. It will be more cost-effective. We are still having a difficult time getting staff. Getting medical doctors and dentists especially. Currently, which is very expensive, which seems like an easy fix down the road, is getting a dentist, just even at Ely Correctional Center. It sounds easy but very difficult to get somebody there. When we have dental emergencies we have to transport those offenders from Ely to High Desert near Las Vegas in Indian Springs. That is costly. We are trying to come up with fixes for that.

There are things on our plate that are going to start reducing overtime. It is a whole factor, it is not one thing that increases overtime, is really what I wanted to say and I have to show those pictures to the public to be able to see that.

Governor: Thank you Director Dzurenda. Back to the medical issue. You alluded to this in the beginning of your remarks and I have had a conversation with hospital officials, they cannot put - I mean, obviously it would be more economic to put all the inmates in one wing and they all have different illnesses and treatments that are necessary that are in different parts of the hospital. So that is where part of the issue is, you have got to have two people, at a minimum, per patient inmate. If you have multiple ones, you have them spread all over the hospital. I just wanted to make that clear because I think that is an important thing for you to know.

You talked about all these mitigation issues, I guess first and foremost, when do you anticipate the completion of the remodel of that wing? Which I know will have an immediate benefit.

Director Dzurenda: James Dzurenda for the record. To give the public a little background of what is happening, there is a building in Southern Desert Correctional Facility that currently has 200 inmates in it but can hold up to 400. The building has been neglected for years. Maintenance is coming to a head between the sewage, the electrical and the plumbing. Everything has to be redone if we want to keep anybody in it any longer. We got it through the Governor's Office, IFC and through the Legislature to be able to remodel

this building to keep it afloat so we could increase our capacity. In order to do that, we have to close the facility over a period of time.

The closure is not going to happen now; they are doing all the planning. We have slowly started closing and reopening wings, just while they work on areas, like the electrical, but eventually, that building is going to have to be closed altogether when they have to go under the facility for the sewage. That is going to happen in the next 13 months, you will start seeing the complete closure. From that point on it will still take 12 months to complete. We looking at almost two years before we actually see the offenders being moved back in there.

What is going to happen with that is, our population can, if we change classification increase from 200 to 400 offenders, which will again, get people off the floor in those more expensive housing areas.

Governor: Thank you Director Dzurenda. Are there any questions from other Board Members, with regard to the Department of Corrections overtime? All right, thank you Director Dzurenda. All right, Board Members, any further questions with regard to agenda item 12D? I hear and see none. Thank you.

13. Approval to Pay a Tort Claim Pursuant to NRS 41.036 (For possible action)

Claimant:	Estate Of Charles Demos, et al
Claim No.:	TC 17444
Settlement Amount:	\$750,000.00
Date of Loss:	April 21, 2015

Governor: We will move on to agenda item number 13, Approval to Pay a Tort Claim, pursuant to NRS 41.036.

Clerk: Thank you Governor. Item 13 is a claim for which the Office of the Attorney General recommends payment from the Tort Claims Fund. Mr. Trutanich will walk the Board through the specifics of the claim and answer any questions the Members may have.

Nick Trutanich: Good morning Governor Sandoval, Attorney General Laxalt, Secretary of State Cegavske. Nick Trutanich on behalf of the Attorney General's Office. Also present with me, down South, is our Head of Complex Litigation Steve Shevorski.

This settlement stems from a lawsuit filed by the Estate of Charles Demos, his five children and potentially similarly situated class of individuals. The claims in the lawsuit allege wrongful death and breach of contract, among other causes of action. Plaintiffs filed the suit against the Veterans Service Department and after months of litigation, including a motion to dismiss that was denied in June of this year, the Attorney General's Office negotiated this settlement. It was approved and signed by the Department of Veterans Services Director, Kat Miller.

The settlement permanently resolves all claims against the State and the Veterans Services Department by the Estate of Mr. Demos and his children. Additionally, the settlement gives timely closure to the family of a Nevada Veteran and includes important non-monetary terms; namely, the Veterans Services Department has agreed to place a permanent memorial in the Garden at the Nevada State Veteran's Home.

The Attorney General's Office is of the opinion that this settlement is in the best interest of the State.

Governor: Thank you Mr. Trutanich. And, are you going to discuss, at least a little more specifically, with regards to the facts and the circumstances that led to the litigation?

Nick Trutanich: Governor, I have brought Steve Shevorski, our Head of Complex Litigation who is here to discuss, although, I do not want to get into the thoughts and impressions of our office but we are happy to discuss the claims.

Governor: That is what I am seeking, what the claims were.

Steve Shevorski: Governor, before I begin, I believe Madam Secretary has a disclosure to make.

Secretary of State: Governor, to you and everyone there, I did have the pleasure of knowing Charles Demos and his family from the Veterans Parades and at the Home. I met him several times and his family did let me know of his passing and what caused it. So, I just wanted for the record that that was on there. Thank you.

Governor: Mr. Shevorski, please proceed.

Steve Shevorski: Thank you Governor. This is a case that was filed in the Eighth Judicial District Court in Clark County. The Plaintiffs are comprised of an estate, five children and potential class members. Each Claimant, each Plaintiff making identical claims for negligence, wrongful death, elder abuse, negligent inflicting of emotional distress, intentional infliction of emotional distress, negligent hiring, training and supervision and breach of contract. Each claim being made by each Plaintiff, including the potential class members.

The underlying facts stem from a legionella infection at the Veterans' Home, sustained by Mr. Demos who passed away, approximately two weeks later. The damages sought by the Plaintiffs and the potential class members, the estate, stem from that infection, their emotional distress from potentially being exposed to legionella, and we believe it is in the best interest of the State to resolve this now to bring closure on this serious matter for a distinguished service member of this country.

Governor: Thank you Mr. Shevorski. Just a quick question, you mentioned that this is a settlement and release of all claims for the members of the Demos family as well as potential class members. At least, looking at the agreement, I do not know how this resolves the claims of the potential class members.

Steve Shevorski: Thank you for the question, Governor. You're correct, it cannot because of the procedural due process. However, as a result of the settlement, the lead Plaintiff's Counsel has dismissed that complaint. The potential class members could potentially refile; however, no one has come forward at this time, so we believe based upon the evidence and the facts considering how long this event took place ago, in April of 2015, it is unlikely that any potential class members will come forward.

Governor: Thank you for that clarity. I do not have any other questions. I do not know if there are any members of the Demos family that are here but I feel horrible that this has happened. My apologies to the family, it is a tragedy. This is a gentleman who served our country with distinction and I think this is a fair settlement. I do believe it is in the best interest of the State and it fairly compensates the family for what has happened. I also do not want this record to give an impression that the Veterans Home is substandard in any way. I know that the Veterans Home and Veterans Services has learned from this. I know that there has been corrective action that has been taken to ensure that something like this does not happen again. This is a facility that has the highest rating, that is possible in terms of third-party or governmental inspectors who come in. We want to ensure that our veterans have the best possible quality care that they can get and deserve and I know that we do that. Director Kat Miller is here and I have great respect and appreciation for how deeply she and her staff care about the veterans. This was a horrible tragedy where we lost somebody. As I said, I think this is a fair settlement and I just wanted to make sure that it was clear on the record that they have my apology for what has happened to this gentleman. All right, Board Members, any other questions or comments with regard to this agenda item.

Secretary of State: Governor?

Governor: Yes, Madam Secretary.

Secretary of State: Thank you for your words, for the Demos family. I really appreciate it. It was such an honor to get to know Charles and his family. It was very tragic. He was doing really well when I met him, saw him and talked to him and thanked him profusely for his service to our country. He served us well. He was doing well and then this happened. I do agree with all of your comments and thank you for what you have done. I hope the members read in the book that there is going to be a remembrance marker that will be placed at the Veterans Home in loving memory of Charles Demos. Again, my condolences to his family and thank you again, Governor, for your comments.

Governor: All right, thank you. Any further questions for Mr. Shevorski or Mr. Trutanich? All right, thank you gentlemen.

Steve Shevorski: Thank you Governor.

Governor: If there are no further questions, the Chair will accept a motion to approve a tort claim in the amount of \$750,000 for the Claimant, the Estate of Charles Demos, as presented in agenda item number 13.

Attorney General: Move to approve.

Secretary of State: Second.

Governor: The Attorney General has moved for approval, the Secretary of State has seconded the motion. Are there any questions or discussion on the motion? I hear and see none. That motion passes 3-0.

14. Public Comment (No action may be taken upon a matter raised under public comment period unless the matter itself has been specifically include on an agenda as an action item)

Governor: We will move to agenda item number 14, Public Comment. Is there any member of the public in Carson City that would like to provide public comment to the Board? I hear and see none. Is there any public comment from Las Vegas?

Secretary of State: No Governor.

Governor: In any event, before I take a motion to adjourn, I wanted to acknowledge Janet Murphy. She is retiring from State Service after 17 years. She obviously presented today but she is somebody that I have had the privilege and honor of working with during my almost seven years as Governor. You have done an extraordinary job for the Great State of Nevada. Truly and deeply appreciate your devotion and the hard work that you have put in over the years. I hope you enjoy your retirement and really take time to do whatever it is that you love to do. I personally wanted to thank you for your service. Thank you.

15. Adjournment (For possible action)

Governor: We will move to agenda item number 15, adjournment.

Attorney General: Move to adjourn.

Governor: The Attorney General has moved to adjourn, is there a second?

Secretary of State: I second.

Governor: Seconded by the Secretary of State. That motion passes 3-0, this meeting is adjourned. Thank you ladies and gentlemen.

Secretary of State: Thank you.