

MINUTES
LINCOLN COUNTY REGIONAL DEVELOPMENT AUTHORITY (LCRDA)
March 28, 2016
Caliente City Hall
Caliente, Nevada

The teleconference meeting was called to order by Chairman Pyatt at 4:32pm.

Determination of Quorum: The following Board members were present at the meeting:

Mr. Carl Pyatt
Mr. Dave Hurd
Mr. Jay Schofield
Ms. Alice Rodowick
Mayor Stana Hurlburt
Dr. Holly Gatzke
Mr. Kyle Donohue
Mr. Cody Christensen
Commissioner Varlin Higbee

It was determined that a quorum of the Authority was present at the meeting.

Also participating in the meeting via speakerphone was Dr. Mike Baughman, LCRDA Executive Director.

Public Comment: None.

Discussion and Action on Minutes of February 22, 2016 Meeting: Mr. Hurd noted one editorial change required on Page 1 of the draft minutes which was reviewed with the Board. Following review of the minutes, Ms. Rodowick moved and Mr. Schofield seconded a motion to approve the minutes of the February 22, 2016 LCRDA meeting as amended. The motion was approved unanimously.

Discussion and Action on Financial Matters: Dr. Baughman reviewed the LCRDA financial report dated March 17, 2016 and indicated that the report should actually be dated March 21, 2016 due to the inclusion of the invoice from The Beck Group of that date. He reported that in addition to the beginning balance in the Capital Projects/Grant Match Fund, total micro loan payments during the fiscal year through March 17, 2016 were \$612.88; that payments by the Governor's Office of Economic Development (GOED) for the basic grant had totaled \$41,250.00; that payment by GOED for the supplemental grant had totaled \$3,500.00; that reimbursement payments from USDA RDA RBEG had totaled \$6,059.00 and USDA RDA RBDG \$12,800.00, respectively and that reimbursements from NV Department of Agriculture had been \$1,000.00 bringing total revenues on the year to \$177,222.30. He reviewed one invoice submitted by Intertech Services Corporation for Executive Director services dated March 11, 2016 (\$7,657.97) and explained that said invoice included a charge of \$999.00 for registration to the International Biomass Conference and that said expense was included in the Trade Show Expenses (Exec. Director) component of the financial report. He also reviewed the invoice dated March 21, 2016 from The Beck Group (\$3,750.00) pertaining to the update of the Lincoln

County Biomass Supply Analysis. He noted that if said invoices were approved for payment, total LCRDA expenditures through March 21, 2016 would be \$80,015.97. Mr. Hurd moved and Mr. Higbee seconded a motion to accept the March 21, 2016 financial report as amended and to approve the aforementioned invoices for payment. The motion was approved by all.

Dr. Baughman next reported that he had presented the adopted FY 2017 LCRDA budget dated February 22, 2016 to the Board of Lincoln County Commissioners during their March 7, 2016 meeting. He noted that the presentation went well and that Commissioners Katschke and Higbee had expressed their belief that Lincoln County should find a way to provide the \$10,000.00 in funding requested by LCRDA. Mayor Hurlburt also reported that Dr. Baughman had done an excellent job of going over the various revenue and expenditure categories with a comparison between the adopted FY 2016 LCRDA budget and responding to a concern raised by Commissioner Donohue regarding the proposed Vortex Energy project and its potential adverse impact upon the Lincoln County Power District #1. Mayor Hurlburt stated that Dr. Baughman had effectively answered Commissioner Donohue's questions and that the Commissioner seemed satisfied with said answers.

Update on FY 14 USDA RBEG Grant Activities: Dr. Baughman reported that he had registered for, and had made air and hotel travel arrangements to attend, the April 11-13, 2016 International Biomass Conference in Charlotte, NC. He reminded the Board that USDA, RDA had previously approved LCRDA's request that a portion of the balance of the remaining unspent RBEG grant funds awarded to LCRDA be allowed to be spent to cover up to 80 percent of the travel expenses associated with his attendance at the Conference. Dr. Baughman indicated that he had initiated work to arrange meetings while at the conference with representatives of various biomass using industries and that the social media platform associated with the Conference made making such arrangements relatively easy and effective. He stated his intent to meet with representatives of 6-12 companies to discuss pinyon and juniper biomass resources in Lincoln County while at the Conference.

Discussion and Action on FY 15 USDA RBDG Grant Activities: Dr. Baughman reminded the Board that LCRDA had been awarded a \$15,800.00 Rural Business Development Grant (RBDG) by USDA, RDA to be matched by LCRDA with \$3,950.00 for a total grant project budget of \$19,750.00. These funds will be used to complete two tasks including 1) assessment of accessible PJ biomass within 50 miles of central Lincoln County located in Utah and 2) chemical and performance analysis of PJ wood chip samples.

Dr. Baughman reviewed the draft assessment of accessible biomass prepared by The Beck Group of Portland, Oregon. He described the acres and tons of accessible biomass estimated for the Lincoln County and Utah portions of the 50-mile radius area of analysis. He noted that inclusion of the Utah portion of the area added 200,800 acres of Phase II and Phase III woodland acres for a total addition of just over 1.8 million tons of bone dry biomass to the supply area. Combined with that available in Lincoln County, an estimated 6.8 million of bone dry biomass are available within a 50-mile radius of central Lincoln County. Over a 30 year period, this averages just over 226,000 bone dry tons of biomass per year, an amount sufficient to supply several industrial users of said biomass. He also reported that work by Battelle Energy Alliance, LLC at the Idaho

National Laboratory (INL) to complete the chemical and performance analysis of PJ biomass was also underway and scheduled for completion by early April 2016.

In response to a question from Commissioner Higbee, Dr. Baughman noted he would be discussing the results of both the Beck and INL analyses during planned meetings he is scheduling with representatives of biomass industries while he attends the International Biomass Conference in April 2016. He further noted the information would be used in on-going marketing efforts by LCRDA.

Discussion and Action on Building Lincoln County Revolving Micro Loans: Dr. Baughman next provided an overview of payments on each of the outstanding micro loans through March 17, 2016. He reported that of the total \$78,500.00 in loans made, LCRDA had received loan payments (including principal, interest and late fees) totaling \$53,551.39. He next reported that at the direction of the LCRDA Board he had contacted collection agencies in Clark County to identify those which might be interested in assisting LCRDA with collection of debts associated with the non-performing micro loans. He noted that three firms were identified and contacted with one, Aargon Collection Agency, requiring at least 50 accounts or more before collections services would be offered. The other two, Allied Collection Services and Clark County Collection Agency each expressed interest and a willingness to assist LCRDA with debt collection. Dr. Baughman reviewed printed materials provided by both firms and indicated that their approach to collection services was essentially the same. He observed that Clark County Collection Agency charged a collection rate of 35 percent compared to 40 percent charged by Allied. Should the borrowers be taken to court, both firms charged 50 percent of whatever was subsequently collected.

Dr. Baughman reported that because payment in cords of firewood were allowed for in the case of the Barnett loan, that the collection agencies might not be able to handle the Barnett loan. LCRDA Directors expressed disappointment in this situation and asked Dr. Baughman whether the Barnett loan might be further restructured to return to a monetary only payment basis. Dr. Baughman noted that the original Barnette Promissory Note had termed out and that the new note including the option to pay in cords of firewood was now in effect. He indicated he would explore this issue further with the two collection agencies to see what might be possible, noting that payment to the collection agencies of the 35-40 percent commission on collection of the Barnett loan would need to be in dollars and not firewood and that LCRDA would not likely want to have to make a monetary payment to the firms.

Dr. Baughman noted that the collection agencies would both likely be interested in undertaking collection of debts associated with the other non-performing LCRDA micro loans. Mr. Hurd observed that he felt that the information and fees associated with Clark County Collection Agency might be best for LCRDA and that perhaps the firm ought to be engaged to undertake collection services for the Authority. Other LCRDA Directors expressed a belief that turning the loans over to an agency for collection would be a better use of LCRDA resources and the expense worth the effort as it did not make a lot of sense for Dr. Baughman to continue to seek to obtain payment from the various delinquent borrowers.

Dr. Baughman noted that the way this item was included on the meeting agenda for today did not allow a decision to be made to engage a collection agency to undertake collection services for the various delinquent micro loans. He suggested that the item be placed on the next meeting agenda for such action. It was suggested that Dr. Baughman provide each delinquent borrower with a letter indicating the intent of LCRDA to take action at its next meeting to engage collection agency services and to offer said borrowers with a final opportunity to resolve the delinquent status of their loan prior to said meeting. Dr. Baughman agreed to send said letters to the borrowers.

Update on Status of Industrial Clients: Dr. Baughman discussed his on-going coordination with representatives of Union Pacific Railroad (UPRR) and AgriRecycle, a mid-western U.S. biomass firm whose representatives he had met with at last year's International Biomass Conference. He noted that at his encouragement, UPRR staff had entered into discussions with AgriRecycle staff about the potential for developing a biomass project in Lincoln County using pinyon and juniper as feedstock and shipping the product by rail to the Port of Los Angeles. He reviewed a business concept he had shared with the UPRR staff involving shipment of municipal solid waste from the Los Angeles area by rail to the Recology landfill site at Crestline and shipping pinyon and juniper-based biomass products in the empty rail cars back to the Los Angeles area. Dr. Baughman reported that AgriRecycle staff had recently contacted him about the possibility of using pinyon and juniper biomass in the production of biochar. Dr. Baughman also reported that during the March 7, 2016 Lincoln County Commission meeting that Commissioner Donohue had mentioned that Recology had been awarded a \$500 million contract for solid waste management in southern California and if this were the case the aforementioned business concept might be a real possibility. He stated his intent to seek to verify if Recology did in fact obtain such a contract. Dr. Baughman indicated that a representative of AgriRecycle and he planned to meet while both were in attendance at the upcoming International Biomass Conference.

Mr. Hurd reviewed the status of the Vortex Power, Inc. project being proposed for the Antelope Canyon area of Caliente. Mr. Hurd reported that the firm was planning to travel to Caliente in the next few weeks. Mayor Hurlburt reported that the City of Caliente had been advised recently that the Community Development Block Grant (CDBG) Advisory Committee to GOED was recommending that the City's CDBG application in the amount of \$286,160 for construction of water line improvements to serve the Grover C. Dils Hospital, adjacent mobile home park and the Antelope Canyon Industrial area be funded. Mayor Hurlburt and Mr. Christensen reviewed the next steps in final approval of the application noting that the Committee's recommendation will go to the Governor for a final decision, but funding of the City's CDBG application is expected. Mayor Hurlburt observed that the CDBG funded water line improvements would serve the proposed Vortex Energy Project site in Antelope Canyon.

Discussion and Action on FY 17 Application for USDA RDA Rural Business Development Grant (RBDG): Dr. Baughman reviewed the text of an email from USDA's Laura Chavez announcing the availability of FY 2016 RBDG funding and outlining the allowable uses of said grant monies. He described a proposal to apply for a RBDG to enable acquisition of a firewood processing machine which would be subsequently leased by LCRDA to firewood businesses in Lincoln County. He noted that alternatively, LCRDA could apply for a RBDG grant to recapitalize the Building Lincoln County Revolving Micro Loan Fund with the express purpose

of lending funds to one or more firewood businesses to enable them to acquire a firewood processing machine. Mr. Christensen observed that a wood processor would be piece of tangible property which could be subject to repossession. Dr. Baughman noted that such a loan would be secured by the purchased equipment. Mr. Donohue expressed his concern that if LCRDA began leasing firewood equipment to businesses would the Authority next be asked to begin leasing various other types of equipment such as that needed for construction. Dr. Baughman noted that the deadline for submitting applications to USDA for RBDG funding was May 27, 2016. Dr. Baughman stated that because LCRDA had received USDA RDA grants in each of the past two years and had received a grant from USDA four out of the past six years, that the Authority's FY 17 application might be less than competitive as in prior years as USDA likes to spread its funding around the State of Nevada. Mayor Hurlburt observed that it does not hurt to apply and be turned down as the grant application, if resubmitted in the following year, would likely be reviewed more favorably. Dr. Baughman asked LCRDA Directors to consider other ideas for RBDG applications and stated he would place submission of such an application on the agenda for the next Authority meeting for further discussion and possible action.

Discussion and Action on Better City, LLC Prepared Draft Redevelopment Strategy for the City of Caliente: Dr. Baughman reviewed the purpose and funding of the project noting that the Governor's Office of Economic Development had provided LCRDA with a \$3,500.00 grant, matched by \$3,500.00 in Authority funding for a \$7,000.00 budget for the project. The purpose of the strategy is to provide an initial plan for what the City might do to position itself to expand and diversify its economy, including capture of anticipated economic benefits associated with the planned mountain bike trail network being constructed in and around the City. He reported that staff from Better City travelled to Caliente on March 2, 2016 and spent the day touring the community and meeting with community leaders and business persons. He next reviewed the draft report prepared by Better City. Dr. Gatzke noted that young people must leave Lincoln County and the City to go to college and find employment. It was noted that the unemployment data in the report appears to not be current. Mr. Hurd observed that the recommendation to pursue geothermal resource development through another study was not needed as such information had been compiled and the findings not very promising. Dr. Baughman asked Authority Directors to review the draft Strategy document and get comments back to him by April 8. He also suggested that the draft Strategy be placed on Caliente City Council agenda for April 7. Following receipt of comments from the City Council and Authority Directors, Better City could then be instructed to develop a revised draft of the Strategy for review and possible adoption by the Caliente City Council during its April 21st meeting. LCRDA could then accept the final report during its next meeting in late April.

Status of H.R. 1815 Amendments to LCLA and LCCRDA: Dr. Baughman reported that H.R. 1815, containing Lincoln County requested amendments to the Lincoln County Land Act (LCLA) and the Lincoln County Conservation, Recreation and Development Act (LCCRDA), had been planned for a vote on the floor of the House of Representatives on March 21st but was pulled from the agenda as the House Natural Resources Committee report on the bill and others to be considered that day had not yet been completed. He noted he had sent messages to staff for Congressman Hardy to get an update on a new schedule for floor action on H.R. 1815 but had not as of yet received a reply from Congressional staff.

Discussion and Action on LCRDA Recommendations to the Board of Lincoln County Commissioners Regarding BLM Implementation of LCLA and LCCRDA: Dr. Baughman reviewed a memorandum he had provided outlining the following proposed recommendations (excerpted from said memorandum) to the Board of Lincoln County Commissioners:

“The first concerns the degree to which Lincoln County is nominating land for disposal by BLM. LCCRDA authorizes BLM to dispose of up to 90,000 acres in Lincoln County. The first 56,000 acres of lands suitable for disposal in the County were identified by BLM in the Ely Resource Management Plan. Under a process agreed to by the Commission, Lincoln County is to annually nominate (with input from the City of Caliente) land from among those 56,000 acres to be processed for sale by BLM. BLM was to process and hold at least one sale of said nominated lands each year. Since this process began four years ago, there have been four rounds of nominations by Lincoln County to BLM. Collectively, lands nominated to BLM for disposal by the County have totaled less than 4,000 acres. BLM has held 1 or 2 sales of land totaling less than 500 acres. If the Ely Resource Management Plan is to be fully implemented and the 56,000 acres are to be disposed of over the 20 year life of the plan, Lincoln County needs to be nominating and BLM needs to be selling on the order of 3,000 acres per year. **It is recommended that the Lincoln County Commission begin nominating no less than 3,000 acres per year to BLM for disposal by sale pursuant to LCCRDA.**

Second, BLM has been painfully slow in processing land nominated for sale by Lincoln County. In addition, only a fraction of the land nominated for sale by the County has actually been advanced through the land sale preparation process. The BLM Ely District Office is responsible for said land sale processing and has demonstrated a lack of capacity to complete the land sale processing activity in a satisfactory manner. **It is recommended that either the BLM’s Ely District be adequately funded and given staff dedicated solely to expeditiously processing the sale of Lincoln County nominated land or the land sale processing function be transferred to the BLM’s Southern Nevada District Office in Las Vegas which includes a very efficient and knowledgeable dedicated land sale processing group.**

Finally, the sale of the 13,500 acres in the Mesquite area pursuant to LCLA netted BLM an estimated \$40.3 million dollars which was deposited into a special account and which can be expended by the BLM Ely District without further congressional appropriation for purposes called out in LCLA. As you are aware, Lincoln County has requested (through H.R. 1815) amendments to LCLA which would expand the allowable expenditures by BLM of the LCLA land sale proceeds in the special account to include planning and implementation of pinyon and juniper thinning projects in Lincoln County. Of the original \$40.3 million in the special account, BLM has now spent in excess of \$8 million on projects associated with the Lincoln County Archeological Initiative (LCAI). Said expenditures represent the single largest use by BLM of LCLA land sale proceeds from the special account. Annually, BLM seeks proposals from various academic, non-governmental and private entities to undertake archeological projects to be funded by LCLA land sale proceeds and BLM annually approves several hundred thousand dollars of such projects. Annual expenditures by BLM for LCAI projects is quickly drawing down the available balance of LCLA land sale funding in the special account. It is not at all clear what benefit, if any, accrues to Lincoln County from the extensive spending by BLM on LCAI projects. **It is recommended that the County Commission request that BLM suspend or**

greatly reduce its annual level of spending associated with the LCAI so that upon passage of H.R. 1815, a significant balance of remaining LCLA land sale funds in the special account will be available for planning and implementation of pinyon and juniper thinning projects in Lincoln County.”

There was considerable discussion among LCRDA Directors over concerns with BLM administration of public land in Lincoln County and a lack of compliance with LCLA and LCCRDA. Mr. Hurd noted that BLM sage grouse planning is impacting those areas identified for possible disposal within Lincoln County. Mr. Higbee expressed his concern that BLM was not authorized to undertake many of the actions they do which have an adverse impact upon the culture and economy of Lincoln County and in fact many of the actions taken by BLM are in direct violation of existing statute. Dr. Gatzke observed that the last sentence of the third recommendation should allow for a broader use by BLM of land sale proceeds. Dr. Baughman suggested the following revision to said recommendation: **“It is recommended that the County Commission request that BLM suspend or greatly reduce its annual level of spending associated with the LCAI so that upon passage of H.R. 1815, a significant balance of remaining LCLA land sale funds in the special account will be available for planning and implementation of pinyon and juniper thinning projects in Lincoln County, among other uses beneficial to the County.”**

Mr. Christensen moved and Mr. Schofield second a motion to have Dr. Baughman turn the aforementioned text of his memo into a letter from the Authority to the Board of Lincoln County Commissioners including the revision to the third recommendation offered by Dr. Gatzke. The motion was approved unanimously.

Public Comment: None.

Board Member Reports: In response to a question from Mr. Hurd, Dr. Baughman explained his work to assist other County staff in developing proposed Lincoln County comments to the BLM issued Final Regional Mitigation Strategy for the Dry Lake Valley Solar Energy Zone. Mr. Hurd noted that said strategy contains a per acre mitigation fee which, while reduced significantly from that in the draft mitigation strategy, is still too high at nearly \$4,000 per acre to encourage solar development within the Dry Lake Valley North SEZ. Dr. Baughman described the mitigation fee developed by BLM for the Dry Lake Valley SEZ at Apex in Clark noting that it was \$1,800 plus \$800 per acre for desert tortoise issues. He further observed that all land within said SEZ had been leased to solar developers by BLM. He observed that there are no desert tortoise in the Dry Lake Valley North SEZ so a competitive mitigation for that area would not exceed \$1,800 per acre.

In response to a question from Mr. Hurd, Dr. Baughman reported that site work for the Farady Future plant at the Apex Industrial Park was underway as was construction of water system improvements to serve the site.

Mr. Christensen reported that he had been approached by an individual wanting to develop and operate a bicycle shop in Caliente. Mayor Hurlburt noted that she too had been approached by more than one entity also interested in starting such a business in Caliente.

Next Meeting Date: The next meeting of the LCRDA Board of Directors will be held on April 25, 2016 at 4:30pm. via teleconference.

Adjournment: There being no further business to come before the Authority the meeting was adjourned at 6:40pm.