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Lessons Learned
- Integrity Matters

American businesses are finally emerging from the recession – some of us survived bruised and battered, others didn’t make it and some companies managed to succeed by a combination of business smarts, ruthless cost-cutting and just plain luck. If the value of going through a crisis lies in the lessons we learn from it, maybe it’s time to ask what our experiences during the recession taught us.

Successful businesses learned a lot of lessons from the recession: they learned to re-think their priorities and their budgets and do more with less. They learned the importance of developing and nurturing relationships: with their banker, their vendors and their customers. They learned how to cut costs to the bone without cutting into the muscle.

Another thing they found out during this time was who really had integrity and who didn’t – and there were some big surprises. They found that honest people who continued to be stand-up folks and pay their bills on time were sometimes thrown under the bus by companies that lacked integrity. Unethical companies penalized their customers by hiding behind clouded federal rules and regulations, so they could enjoy the benefits of a federal bailout, even if it cost customers who had nowhere else to go.

What it boils down to is this: is it okay for a company to cheat customers, lie on financial statements, cut corners on workplace safety or bribe politicians, just because times are tough and you don’t want to lose money? A lot of people seemed to think so. But no matter how you try to justify it, morality doesn’t change according to the health of the economy. Right and wrong remain the same, no matter what, and that applies to businesses as well as individuals.

During the recession, it sometimes seemed like cheating was getting rewarded, while honesty got punished. The very companies that helped cause the recession in the first place – the “too big to fail” companies whose unethical practices pushed us all to the edge of the fiscal cliff – were the first ones to get a bailout from the taxpayers. Businesses like Solyndra with politically-connected owners got financing from taxpayers when the taxpayers themselves couldn’t get a loan from their community bank.

So, were ethical businesses “chumps” to keep on dealing honestly with creditors, shareholders and customers during the recession? No, I believe they’ll be rewarded in the long run because a company’s good name is its most valuable asset. Businesses that developed a reputation for underhanded business practices or unfair treatment during the recession will have a hard time succeeding now that the recession is winding down. Both consumers and investors have learned to be less trusting because of what happened, and they’ll closely examine any company before doing business with it. Failing the integrity test can be the kiss of death, and it should be.

On the other hand, if you’ve been paying your bills even when it hurt to do so, your suppliers and lenders will remember. If you made the effort to work with customers when they had trouble paying you on time, they’ll stick with you instead of going somewhere else. And if your employees saw you cutting costs so you wouldn’t have to lay them off, they’ll reward you with loyalty. That’s the way businesses succeeded before the boom-and-bust we’ve just been through, and it’s the formula for long-term success, no matter what’s happening in the economy.

By Whose Authority?
For more information on my Commentary and to see some of the backup research, or if you wonder why I take the position I take, go to www.LyleBrennan.com.

Lyle E. Brennan
Publisher

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NEVADA’S EMPLOYMENT LANDSCAPE
DRAWING ON NEW OPPORTUNITIES
It’s been a while now since the start of the nation’s recession that so harshly impacted Nevada. At its peak, in October 2010, the state’s unemployment rate hit 13.8 percent, and activity in numerous sectors dropped drastically. About two years ago, Governor Sandoval called for the creation of 50,000 Nevada jobs by the end of 2014. Numerous organizations—for economic development, job training, higher education and others—have been working to achieve that goal and also bolster the Silver State’s workforce. So what does Nevada’s unemployment picture look like today?
“It’s not all exploding, but it just seems like good energy and good healthy growth,” said Andy Katz, president of Manpower Inc. of Southern Nevada. The franchise, with four Las Vegas offices and two in Northern Arizona, offers job placement for seasonal or special projects and temporary-to-hire jobs, recruits and hires executives and provides skills development.

At a Glance

Jobs are being created in the Silver State. The job growth rate has been increasing since its 2010 peak. Between the start of 2011 and the end of 2013, 49,000 jobs were established (19,000, or about 39 percent, in 2013 alone). It’s expected the state will reach and likely exceed the 50,000 mark for new jobs within the year, said Frank Woodbeck, director of the Nevada Department of Employment, Training and Rehabilitation (DETR), which provides assistance in job training and placement, vocational rehabilitation, workplace discrimination, and collection and analysis of workforce and economic data.

Companies are hiring. Jim Annis said his firm has seen a dramatic uptick starting in 2012 and continuing through today in requests for job candidates for permanent, temporary-to-hire and executive positions. Annis is the president/CEO of The Applied Cos. in Reno, the umbrella entity encompassing Applied Staffing Solutions, which places workers in temporary and temporary-to-hire jobs.

“Business owners have a little more confidence in 2013 than in 2012 and want to make investments in personnel rather than saying let’s have fewer people and work harder,” Annis said. “Companies are wanting to increase market share as we’re growing out of the recession.”

In fact, the state’s jobless rate has dropped nearly 5 percentage points since its high, DETR data show. It was 8.8 percent, encompassing 130,000 individuals, in December 2013, the most recent month for which statistics are available. This compares to the national average of 6.7 percent, per the U.S. Bureau of Labor Statistics. Nevada’s unemployed dropped by 23,000 people in 2013 alone. In addition to the jobless, discouraged individuals, or those who’ve given up looking for work, number about 15,300 (the state’s total labor force surpasses 1 million).

“The unemployment number is dropping to a lesser degree than employment is increasing because of people coming back into the workforce. That’s a good sign for us,” Woodbeck said.

Despite the improving economic numbers, the market remains an employer’s one in Nevada, Woodbeck said. This is due to the state still having more unemployed residents than is seen in a healthy economy and real wages having increased only slightly since 2007.

Some of the currently busier sectors in terms of hiring are construction, retail, professional business services, healthcare, tourism/hospitality, accounting and trade/transportation/utilities. This is to be expected given Nevada’s work to transition from an economy based on hospitality, construction and mining to a more diversified one. The focus today is more on broadening other industries, including manufacturing, aerospace defense, logistics and operations, healthcare, information technology and agriculture. As a result, the state’s workforce is changing.

“That transition of the economy is bringing a different type of worker or a re-trained worker into the workplace,” Woodbeck said.

Nevada companies easily can find trainable workers, Woodbeck said, but that’s not the case when seeking individuals with specific skill sets. According to Katz, the state lacks sufficient individuals with higher-level skills, particularly in the science, technology, engineering, and mathematics (STEM) areas. For instance, when recruiting executives with specific skills, both Manpower and Applied Staffing Solutions have had to look out-of-state at times for prospects.

Additionally, in the future, Nevada will need more workers with a postsecondary education, said Kevin Page, chairman of the Nevada System of Higher Education’s Board of Regents (NSHE), which sets policies and approves budgets for Nevada’s entire public system of higher education:
four community colleges, one state college, two universities and one research institute.

“We have to do a better job in higher education,” he added. “We need to graduate more kids.”

Enhancing the Workforce

Among other strategies and initiatives, NSHE, with its Complete College America program, aims to gradually increase the number of certificates, associate’s and bachelor’s degrees awarded. Its goal is an additional 1,064 per year through 2020.

The organization also plans to use the approximate $8.8 million Trade Adjustment Assistance Community College and Career Training (TAACCT) federal grant it recently received to deliver career training programs for high-wage, high-skill occupations, which can be completed in two years or less. The three Northern Nevada community colleges will utilize the funds for programs in welding, industrial millwrighting, applied industrial technology, manufacturing production technology and Cisco-certified networks.

The DETR, too, has similar programs and continues to develop others to assist individuals with job skills and training, provide hiring incentives to companies and help them find qualified workers. One pilot program slated for launch this fall, in collaboration with the Washoe County School District and Truckee Meadows Community College, would provide career guidance and mentorship to career-less 18 to 22 year olds with or without a high school diploma or GED equivalent.

“We’re constantly looking at programs we can create that may or may not be formalized. The engagement with other agencies, whether it be K-12, higher education or both, is really what our task and our job is as far as I’m concerned,” Woodbeck said.

Nevada’s Train Employees Now (TEN) program, for example, provides short-term, skill-based, intensive job training to help new and expanding companies reach productivity quickly. State agencies work with employers in the areas of recruitment, hiring and work training.

As part of the state’s economic development efforts, other hiring incentives—such as tax abatements—exist for companies...
Optimism characterizes the mood of Nevada executives this year. Whether it’s waving goodbye to the recession or already having moved on to bigger and better things, business owners and executives have officially brushed off the oppressive economy and are now working on the bounce back.

The 2014 Power Poll marks the twelfth year executives have weighed in on various issues that affect business for Nevada Business Magazine. Throughout the years, this poll has served as an indicator of the outlook of Nevada executives and provides a glimpse into Nevada’s business community. The survey was sent out at the beginning of this year to executives and business owners throughout the Silver State. The Power Poll is not a scientific poll; rather it asks decision-makers to share their thoughts on where Nevada’s businesses are headed in the next year or so. With hundreds of decision-makers weighing in on the 2014 poll, their observations are illustrated in the following pages as a side-by-side comparison with previous years’ polls.

This year, there was a fairly even split in responses between business owners and executives with the latter making up 51 percent of respondents. For the most part, respondents hailed from many of Nevada’s more seasoned companies, 80 percent of which have been in business for longer than 10 years. Respondent’s locations closely mirrored Nevada’s own population breakdown with the majority (73 percent) headquartered in Southern Nevada, 24 percent were located in Northern Nevada and the remaining 3 percent represented the rural communities.
Recession’s End

Positive news has been cropping up all over the Silver State as of late and that is reflected in the responses of this year’s poll. In regards to the end of the recession, Rob Hooper, executive director of the Northern Nevada Development Authority (NNSA) said, “We’ve hit it and we’re going back the other way now. There’s evidence for that just about everywhere. Look at the housing market, which was our big problem. We’re seeing new retailers coming in and companies expanding. Unemployment is going down. Every place you look, everything is going in the right direction. We’ve got a long ways to go, but we’re surely seeing the move going the right way.”

The majority of respondents agree with Hooper; 77 percent feel Nevada has seen the bottom of this recession. In the 2013 poll, only 58 percent indicated that we’ve hit bottom. In addition, this year’s poll shows that Nevada has seen a significant uptick in the economy from last year and executives have every expectation that trend will continue. An overwhelming 95 percent of those polled said that Nevada’s economy is doing about the same or better as compared to last year. As for next year, only 7 percent of respondents said that the economy would exhibit downward momentum.

“I think it will be improving slowly,” said Scott Muehlart, president and CEO of the Henderson Chamber of Commerce. “If you just take the economic impact of all these new projects, the construction value and the ripple effect that occurs, how could it not be better? I know from a small business perspective, which is largely our constituency, membership is growing. Small businesses want to market, they want to grow their business and they feel optimistic about the chances to do that now.”

Death and Taxes

It’s often said that the only sure things in life are death and taxes. Unfortunately, many executives agree that one proposed tax could result in the death, or at least severe crippling, of many Nevada businesses. Seventy-six percent of this year’s respondents indicated their concern over the possibility of a margins tax, which will be on the November ballots.

“The worst thing that could happen to us is a margins tax simply because you’re taxing revenue; you’re not taxing profit,” said Grant Sims, managing director of CBRE in Reno. “It’s taxing companies regardless of their ability to pay. We are involved in recruiting companies here and companies are starting to pick up on this ballot issue and are very concerned. I’m against it and I don’t think it is good tax policy; I hope it’s defeated.”

“It’s an ill-conceived tax and would really be a job killer,” added Tyler Corder, chief financial officer of Findlay Automotive Group. “We’ve done the math on it and what it would cost us if we paid the margins tax. The only way we can off-set the cost is to reduce expenses in other areas. Unfortunately, the only controllable expense that would make any significant impact would be employment levels.”

In addition, a state income tax is looked upon unfavorably by business execs; 89 percent answered that they would not support such a tax. David Melroy, president of MSA Engineering Consultants, an engineering firm with offices in Las Vegas, Reno and Phoenix, said the lack of a state income tax is “one of the things Nevada has going for it to draw both talent and businesses here. It’s definitely something we have over our neighbors in California and Arizona.”

“What’s critically important to me is that Nevada continues to be a leader in economic development,” added Greg
Pike, managing partner for the Las Vegas division of LP Insurance. “I’m really opposed to any sort of taxes that would have an impact on the growth of businesses in our state.”

While the possibility of new taxes is an ongoing concern, 64 percent of respondents also felt that business’ current tax burden is already too much in the Silver State.

“We’re not the lowest taxed state per person,” said Suzette LaGrange, senior vice president of Colliers International in Las Vegas. “If you look at, on a state-by-state basis on tax revenues per person, we’re about in the middle of the pack. Our businesses pay most of that through the modified business tax which disincentivizes hiring because it taxes your payroll. That isn’t good when we’re trying to get our unemployment down.”

Many Nevada executives also agreed that both the mining and gaming industries were paying their fair share of taxes. Just over half felt that mining was contributing a fair amount of taxes and a hefty 72 percent of respondents said the same about gaming.

Ed Guthrie, executive director for Opportunity Village adds that the gaming industry “is the economic engine, especially in Southern Nevada. As much as we try to diversify, they are the economic engine that really generates revenue for all of us. We want to make sure that engine is protected.”

Opinions on the mining industry’s tax contribution are much more split. However, Tom Gust, the Elko branch manager of Nevada Bank and Trust applauds the industry.

“I know that the past couple of years they have actually paid taxes in advance to help the state commerce,” he said. “They paid taxes they haven’t even accrued yet. I do think they pay their fair share. I know they tried to help out when the state has had some shortfalls.”

### What About Business?

Executives remain cautiously optimistic when it comes to their individual businesses. Just over half, 56 percent, of respondents said their business is doing somewhat or much better than last year, with only 13 percent doing worse or much worse.

When looking to the future, executives are even more hopeful; 70 percent expect their business’ bottom line to be somewhat or much better this time next year. In 2013, only 52 percent of respondents expected an uptick in their business’ bottom line.

Employment is another positive indication for Nevada’s businesses and many of the respondents have hired recently or hoped to hire soon. In fact Jeff Ehret, president of the PENTA Building Group said his business has been hiring since 2012. The polls agree and indicate that staffing levels are stabilizing. Seventy-one percent of respondents said they had no staff reductions in 2013.

“For LP Insurance, I see the future as extremely bright,” said Pike. “I think we will be much better off a year from now than we are today. We’re much better off this year than we were last year. We gain success as the community gains success.”

LaGrange prefers a more cautious outlook, waiting to see the results of November’s elections. “I think it’s going to be about the same. It’s going to be a really challenging year, primarily because my business relies on companies coming to Nevada and relocating here. Right now, with the margins tax looming, companies are very fearful of making that leap and move into Nevada with such a regressive tax,” she explained.

For now, the vast majority of executives feel that Nevada is a business-friendly state, though some, like LaGrange worry about the future. Eighty-eight percent of respondents said that Nevada is a business-friendly state with only 1 percent strongly disagreeing with the sentiment.
business sometimes gets lost in the powerful and necessary message of the gaming industry. A lot of the community-related perks and strengths of Nevada as a whole don’t get the proper recognition. It is a good state for your employees and staff to reside in as well.”

**Healthcare, Education and Unions, Oh My!**

In 2014, Nevada businesses face a multitude of issues that weren’t as much of a concern in previous years. Additionally, many executives agree that the landscape of business in the Silver State has changed dramatically after the recession. The Affordable Care Act (ACA), commonly referred to as ObamaCare, is one issue that is on the minds of many executives as the Act’s regulations for business begin to unfold. A majority of respondents (74 percent) indicated a concern about ObamaCare.

“I am concerned about it,” said Hooper. “I don’t think it was very well thought through as to what the implications are going to be. I don’t like the idea of having government run healthcare. From a business point of view it’s driving up cost. It will end up reflecting negatively on employees because businesses will not be able to afford the same level of healthcare they had in the past. I’m not comfortable with it at all. From a business point of view, I don’t know anybody that is.”

He adds, “What I do know is the way healthcare was provided pre-ACA was not working either. The idea that a lot of people were using the emergency room as their insurance policy was not working well. I think it’s too early to tell. We’re probably not going to see the full impact of the ACA for another three to five years.”

Another hot topic, particularly as Nevadans work to diversify the economy, is education. The state notoriously and, unfortunately frequently, ranks low in a multitude of national rankings. Most executives (95 percent) indicated the state’s system should receive a “C” or below for the job they’re doing. On the bright side, Washoe County’s school district (WCSD) has been consistently better and the area’s graduation rates are high. In fact, WCSD’s class of 2013 recorded the highest graduation rate in the district’s history with 72 percent earning their diplomas last year.

“The Economic Development Authority of Western Nevada (EDAWN) went out and commissioned a study to look at the Washoe County School district’s performance,” said Sims. “The outcomes were very impressive.”

When asked what Nevada schools need, Sims added, “I don’t think throwing money at the education system is really the answer. It’s more reforms and other things.”

“I do think Nevada is a business friendly state,” said Guthrie. “We work hard at the local and state government levels to make it easy for businesses to incorporate, get licenses and file forms. In that respect, I think it is.”

“Absolutely,” added Muellrath. “We embrace business here. We support the infrastructure, the tax structure. It’s a great place to relocate a business. Our message about the opportunity to start or relocate a

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**How concerned are you about ObamaCare?**

- **Very Concerned**: 50% (2013), 44% (2014)
- **Somewhat Concerned**: 15% (2013), 20% (2014)
- **Not Very Concerned**: 9% (2013), 10% (2014)
- **Not Concerned at All**: 7% (2013), 4% (2014)
- **Declined to Answer**: 19% (2013), 22% (2014)

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**What overall grade would you give Nevada’s educational system?**

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STANDING: Dr. Alan Gertler, Desert Research Institute • Pat Egan, NV Energy • Mark McVeigh, City National Bank
Dr. Oliver Hemmers, UNLV, Harry Reid Center for Environmental Studies
SITTING: Fred Schmidt, Holland & Hart • Tom Polikalas, Southwest Energy Efficiency Project (SWEEP)

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The way up.
nevada’s alternative energy sector is changing with new projects and regulations as well as the buyout of Nevada’s major utility. Industry experts are expecting a resurgence of the industry as well as more conservation efforts. Recently, executives representing the alternative energy industry met at the Reno offices of City National Bank to discuss their changing industry.

Connie Brennan, publisher of Nevada Business Magazine, served as moderator for the event. These monthly meetings are designed to bring leaders together to discuss issues relevant to their industries. Following is a condensed version of the roundtable discussion.

WHAT CHALLENGES DOES ALTERNATIVE ENERGY FACE?

DR. OLIVER HEMMERS: The biggest challenge is cost, even though it’s getting more and more competitive; the costs are still a major driving factor that defines the industry. That still causes the renewable energy industry to struggle. We’ll move forward and it’s here to stay but there’s still a cost issue that needs to be addressed. That’s the biggest barrier I see from my perspective.

DR. ALAN GERTLER: The economics are not always what you’d think. We’ve failed to account for a lot of the externalities of different energy systems. In other words, what are the other associated costs that one may have with alternative energy? We don’t account for that. There are cost issues that we really don’t take into account coupled with the fact that we currently have extremely low costs for natural gas. When we have very low costs from current energy sources, then, of course, you’re not going to go with things that are more expensive. We don’t account for that. Renewable energy has become politicized and that often causes people to look at it and not have a truly honest discussion about the pros and cons of what we have.

TOM POLIKALAS: When I was working on my masters of economics at UNR I got indoctrinated into the concept of the “nega-watt”. The “nega-watt” is the energy that we don’t use and the opportunity for savings. I represent the “nega-watt” industry as an alternative industry which is a challenge in and of itself because it’s so fractured. There aren’t four or five major players in “nega-watts” across the state. There are a multiplicity of vendors and installers from HVAC contractors, installation contractors and lighting vendors. [The energy savings industry] has turned into a $20 billion bonanza. Nevada’s slice of that $20 billion represents about $3.4 billion in net GDP growth that could be cumulatively accrued through 2020 by pursuing an optimal mix of energy efficiency policies. There is a cost barrier. We want to see the community come together and craft policies that make an investment in “nega-watt” so that the utility is not facing any barrier to pursuing optimally cost effective policies. Those are the kinds of discussions that we need to get together and look for the optimum incentives to take advantage of new and changing technologies. The technologies are evolving continuously. How do we match policy to take advantage of those opportunities so that everyone benefits? There are some cost barriers but there are opportunities so that everybody can benefit.

PAT EGAN: In my mind, the biggest challenge is to balance economics with technology and the customer expectation. There are so many interesting and new things happening that are legitimate technologies that work and are improving year over year. The question is, how much of that can be put through the system in a way that the customer is benefitted ultimately? The other challenge is, getting back to all of the different technologies. When you look at the energy future, we don’t have a great handle, and I mean the utility industry, on what the demands are going to be. If you look at, for example data centers and some of the other large energy users, no one has a crystal ball to say exactly what that usage pattern is going to be.

FREDERICK SCHMIDT: Right now I think the challenges are in the electric industry and dealing with the fact that it’s a monopoly that provides service and everyone has to work with, or in conjunction with them. Getting NV Energy to do things is very important to those businesses, whether you’re a new start up company trying to build distributive generation on solar rooftop, photovoltaic or
you’re a large developer trying to build another project. Senate Bill 123 (see glossary) is interesting in that it provides new life to that industry in terms of providing an opportunity for another round of proposals. That’s significant. It also gets us down the road to closing coal plants that we have in the state. As a Nevada business issue, it’s important that we develop our economy. Coal doesn’t develop our economy; coal develops the economy of Wyoming and Colorado. Nevada needs to develop what it does best. I’ve always felt that Nevada is uniquely positioned to build solar because of the number of sunny days we have here and geothermal because of the infrastructure, the ground geology that we have in the state.

HOW IS THE ENERGY MARKET CHANGING?

SCHMIDT: It’s about energy imbalance markets (see glossary) which will allow for a much more efficient exchange of those resources. If we focus on really good resources for our state and develop the grid (see glossary) more, we’ll be good.

EGAN: The energy imbalance markets will benefit, not just developers, but our customers. In the West, you have these 38 balancing authorities. One of the things this energy imbalance market does is essentially looks for the lowest cost resource. It breaks down the barriers and that’s one of the important differences for Nevadans. We call it “match. com for electrons”. We get access to sell where it benefits and access to buy where it benefits. The California ISO (see glossary) is not going to be able to reach in and pull resources from Nevadans when it doesn’t benefit Nevada. It’s still subject to further review but we believe the economics will work to the benefit of renewable energy.

DOES NEVADA HAVE THE CAPACITY TO BE A LEADER IN ALTERNATIVE ENERGY?

GERTLER: If you look to the resource assessment, the solar assessment and over here to the geothermal assessment, clearly it’s here. We have the resources. We can be a leader in terms of production, no doubt about it. But, it’s not just production and exporting. How do we develop our economy so it’s more of a knowledge based economy? I think we’re much further behind. Yes, we have the resources. Maybe that can attract companies here and maybe we can start building. But, I don’t believe we have the educational infrastructure to develop that knowledge based economy at this point.

SCHMIDT: I think we were a leader but we’ve been stagnant. We were a leader in the late 90s and early 2000s in renewable energy. We were one of the first states that did an RPS (see glossary) law. We had one of the most aggressive laws. For the last five, six years, we’ve been a little bit stagnant. We’ve had no renewable energy market until SB123 came along. Even though plants that had been approved were coming online in that time frame, we weren’t getting any new and we lost a number of company’s interest in Nevada because of that. SB123 has the chance to reinvigorate that.

EGAN: Ultimately, energy supports the underlying economy. We look at economic development across the board. Whether its transportation, infrastructure or education and workforce, we’re a piece of that picture. Whatever the implementation of SB123 is, we need to recognize that there will be impacts one way or another. We should be able to say, with a straight face, this direction is something that is going to benefit Nevadans.

GLOSSARY

SENATE BILL 123 (SB123): Also known as NVision, mandates the closure of coal plants in Nevada.

COGENERATION: Also known as combined heat and power (CHP) is a process that simultaneously generates electricity and useful heat through the use of a heat engine or power station.

GRID: An interconnected network for delivering electricity from suppliers to consumers.

ENERGY IMBALANCE: the difference between real-time demand for electricity generation and load consumption and what is prearranged through schedules. An energy imbalance market (EIM) would pool electricity generation within a region and dispatch resources as well as moderate the variability of renewable generation resources and electricity demand.

CALIFORNIA ISO: Also known as California Independent System Operator or CAISO. It is the utility overseeing California’s electricity.

RPS: A regulation that requires the increased production of energy from renewable energy sources.
WHAT KINDS OF ALTERNATIVE ENERGY PROJECTS ARE IN THE WORKS?

SCHMIDT: Our client, Sempra, has built three projects: CMS (Copper Mountain Solar) one, two and three. They are now up to about 300 megawatts of solar in the El Dorado Valley, outside of Vegas, and there are other plants proposed. They’ve got a cogeneration (see glossary) plant that used a facility that the San Diego Gas Electric built a number of years ago. There are at least a dozen of those scale of solar projects undergoing various stages of development or exploration right now. In fact, Friday, one of the projects that was licensed for construction for a 350 megawatt solar project called K Road, right outside the Crystal substation on the Moapa Indian Reservation, is going to be transferred in part to the power company.

POLIKALAS: There are a couple of startups. ElectraTherm, for example, which is located not too far away, produces electricity off of waste heat.

GERTLER: Ormat’s a great example too of what happens when you have an international company here.

HOW IMPORTANT IS A DIVERSIFIED ECONOMY TO ALTERNATIVE ENERGY?

GERTLER: If we’re looking at what we want to do, what types of jobs we want to really create in the state, we have the resources. Can we build a more knowledge based economy involving renewable energy where technologies are developed...
here? Not developed outside and then put in here but, have an economy based on the different components of what it takes to develop those technologies and at different energy conservation techniques. If we’re looking at true job creation, especially from small business starting-up and other things, it’s going to be technology based. How do we develop those technology-based jobs in Nevada to really change the type of economy that we have?

EGAN: If you’re going to develop any industry, it doesn’t matter if its widgets or renewable energy, [you must] have a base of a strong workforce development and a strong education system. The tax policy for this state, from an employer’s standpoint is very good, very beneficial and you have a great transportation system but if you want to build a business, you have to pause and say, “Do I have everything I need from a workforce development standpoint?”

SCHMIDT: That has started here in Nevada. We have the Mackay School of Mines which is well-recognized and why our mining industry is so strong here, we have that educational base. Ormat and NVEnergy started a program for UNR to develop a minor and develop a program for training operators for geothermal plants.

HEMMERS: At UNLV, you have the solar minor education program. The problem of course is developing new research for education programs. It still costs money so the universities operate within a certain budget and they have their programs. Even when we just want to develop one new program, you have to take money from somewhere to fund this. It’s not that we don’t want to do it; it’s a resource problem in the education system that cannot do what it could to its full potential because of the lack of funding.

GERTLER: If you pull back and look at where we are going worldwide, not just in Nevada, and start looking at a lot of the trends of installed solar, wind and geothermal, they’re going up. If you couple that with the trends in terms of efficiency of solar photovoltaic and they’re driving the cost down. We may not see it in Nevada because the economy in the past few years has been tough, but when you look at those worldwide trends, it says that renewables are going up.
HOW DID YOU FIRST GET INTO YOUR PROFESSION?
Out of college, I was accepted into a Management Candidate program with First Interstate Bank.

WHAT DO YOU LIKE MOST ABOUT YOUR INDUSTRY?
I enjoy the interaction and relationships with clients – helping them with their financial needs. It’s rewarding to see their businesses flourish.

IF YOU COULD BE REMEMBERED FOR ONE THING, WHAT WOULD IT BE?
I’m big on integrity and character – two of the most important things that define people. If you have that, you’ve done well.

WHAT BUSINESS ADVICE WOULD YOU GIVE SOMEONE JUST STARTING IN YOUR INDUSTRY?
The industry has changed very much in the past few years, especially from a regulatory standpoint. You need to communicate with clients and prospects so they understand all the things you are requesting of them in order to be compliant. Be patient and thorough.

HOW DID YOU FIRST GET INTO YOUR PROFESSION?
Conservation, wildlife, habitats, water, air and landscape quality have been the backdrop of my work throughout my lifetime. These are now front burner issues; the knot is on high.

IF YOU COULD STOP TIME, WHAT’S THE ONE MOMENT YOU’D WANT TO RELIVE OVER AND OVER AGAIN?
There have been so many splendid moments in my lifetime it’s impossible to name one. Possibly, discovering as a child what’s inside of a coconut shell. It’s the mystery behind the curtain kind of thing.

IF YOU COULD BE REMEMBERED FOR ONE THING, WHAT WOULD IT BE?
Bringing strange corporate bedfellows to change practices and work for a sustainable future within their communities. Being a leader in landscape/wildlife stewardship, volunteering, which affect current generations now.

IF YOU COULD TAKE BACK ONE SENTENCE YOU’VE EVER SPOKEN, WHAT WOULD IT BE?
I don’t like oysters, take them away.

HOW DID YOU FIRST GET INTO YOUR PROFESSION?
I have always had an interest in the law and individual rights. After I got to experience the thrill of doing trial work, I was hooked.

IF YOU HAD TO CHOOSE ANOTHER PROFESSION, WHAT WOULD IT BE? WHY?
It would be as a novelist. I would get to use my imagination and the art of writing to convey thoughts.

WHAT BUSINESS ADVICE WOULD YOU GIVE SOMEONE JUST STARTING IN YOUR INDUSTRY?
Find a good mentor and spend time with that person in all types of situations both the good and the bad, in order to make sure you fully understand everything.

IF YOU WERE PRESIDENT, WHAT ISSUE WOULD YOU ADDRESS FIRST?
I would restructure the tax code to establish a flat tax and simplify the internal revenue service and the waste that is taking place in government.
By executive order of Governor Brian Sandoval, the Nevada 150 Commission has planned a series of events, gatherings, exhibits and legacy projects to commemorate Nevada’s Sesquicentennial, a once-in-a-lifetime opportunity to showcase the unique contribution of Nevada’s rich culture and history. The yearlong celebration includes official community-based and signature Nevada 150 events, guaranteed to instill pride and inspire all Nevadans to participate in the Sesquicentennial celebration. These events and projects have been strategically designed to connect all communities throughout the state by tapping into the common pride in our shared heritage possessed by all Nevadans.

In October 2013, the Sesquicentennial celebration kicked-off with a number of events designed to build excitement and interest. With more than 150 official and signature events planned through October 2014, there are numerous ways to get involved and share the history, spirit and culture that make Nevada so special. Here’s a snapshot of the plans and how businesses can participate.

The Nevada 150 website (www.nevada150.org) is an informational tool to provide Nevadans with opportunities for engagement. Events, educational information, sponsorship opportunities, the Nevadan Stories blog and more can be found here.

With more than 150 planned events, there are two types of events listed on the Nevada 150 website – signature and official. Signature events, such as the First Ladies First event held in January, are one-time events that take place during the Sesquicentennial year. Official events such as Cowboy Poetry and Nevada Historic Preservation Month are ongoing events that have the Sesquicentennial theme woven into them. Businesses, organizations and community leaders are encouraged to consider creating an event to showcase Nevada pride; event applications can be found online.

The Sesquicentennial offers Nevadans an opportunity to share memories and stories about the people, places and experiences that make Nevada special to them. This legacy project will live on after the Sesquicentennial as a living history from the Silver State’s exceptional citizens. To read a story or submit your own, visit our Nevadan story blog online.

After the Sesquicentennial year has been celebrated, there are a number of additional legacy projects that will continue on. A few of these projects include the Women’s Legacy Project celebrating 150 years of excellence, the Tonopah Mining Park’s John Livermore medallions, the Nevada Sesquicentennial book, the Sesquicentennial medallions, license plates and the Nevada historic mile markers refurbishment project.

Through social media channels, there are many opportunities to share stories, photos and historic nuggets with Nevadans and beyond. Nevada 150 has Facebook, Twitter, Instagram and Pinterest pages. Users should tag posts and photos with #NV150 or #Nevada150.

Working with public and private vendors, Sesquicentennial merchandising has also been created. Examples of these include logo wear and gift items, Sesquicentennial medallions, U.S. Postal 150th Stamp, the Las Vegas Harley-Davidson Nevada 150 Commemorate State Bike and gift items such as watches, whiskey and chocolates. The opportunities are endless.

Many wonderful Nevada companies have supported the Nevada 150 through financial contributions and creative projects making many of the celebrations throughout the year possible.

There has been significant international interest in the celebration as well. The Las Vegas Youth Orchestra is travelling to Germany and Poland for their third triennial overseas concert tour “Overture to Adventure.” Events and activities are being planned with the People’s Republic of China, Canada, Australia and Mexico.

Engagement with Nevada’s business communities help to organically celebrate the Sesquicentennial through employee interaction. This can be done through sharing business and industry history, Nevada history, the Nevadan Stories blog, creating internal events, newsletter stories and by displaying the official Nevada 150 window cling available through the Chamber of Commerce partners.
Wellness programs are becoming more popular in today’s economy as both employers and employees alike work to keep healthcare costs down. Wellness programs are workplace programs that promote healthy lifestyle choices, offer opportunities to take control of health issues and cut healthcare costs.

Programs may include education, athletic opportunities, on-site medical screenings, health coaching and participation incentives that foster a culture of fitness. Health insurers will often lower premiums for employers with wellness programs and employees who participate.
Wynn Las Vegas instituted programs in 2012, according to Carrie Messina, vice president, Human Resources, in part to control healthcare costs, both for the company and the employees. “We had to make sure we were paying attention to our plan so we could avoid large increases. A lot of companies this year experienced high increases in premiums.” Wynn Las Vegas and its employees didn’t.

Participation in the Wynn program means a 30 percent discount on health insurance premiums. The program isn’t based on points or scores, just on participation which includes free classes, access to an on-site dietician and a fully revamped, healthy employee dining room. “Employees were telling us ‘I stopped eating in the employee dining room because I didn’t have any willpower,’” Messina said. Nothing like being told the food is too good. The change to healthier choices resulted in another 800 employees using the dining room daily.

Human costs factor into wellness program equations. UnitedHealthcare builds wellness programs. When meeting with an employer, Wendy Ronovech, associate director, Health Education and Wellness, keeps in mind that the healthier and happier an employee is, the less absenteeism and the lower the healthcare costs the employer will see.

Most wellness programs are aimed at educating employees and giving them the tools to make healthy choices. At times, these programs lapse over into choices more suited for individual employees to make without input from an employer or third-party brought in by the employer, such as choosing to replace watching television with an active alternative or decisions on activities outside of work. These programs are new enough there are still legal questions as to how far an employer can go in seeking to control unhealthy but legal activities employees may participate in outside of work. For example, a smoking cessation program offered through work on a smoke-free campus environment is a healthy choice, but legal questions arise when an employee is let go because of smoking outside of work.

Currently both trends and laws side with incentives rather than punishments. Employees can be offered rewards such as prizes, bonuses and discounts on health insurance premiums for participating in programs but can’t be fined for not participating, though a higher premium undeniably feels punitive.

**Getting Started**

For any wellness program, maintaining engagement is essential, according to Ronovech. The first month or two of an on-site wellness program is spent getting to know the employees and the environment, completing needs assessment and polling the population, meeting with senior staff and gauging goals and vision. After that health screenings can give participating employees a snapshot of their own health and any issues they need to address.

Since participation is voluntary, lone wolves can choose the do-it-yourself option, but in order to get the incentives like discounted healthcare premiums, submitting to biometric screening is required. “These are voluntary tools and benefits for employees, not to force them to do what they don’t want to do,” said Messina of the Wynn program.

Ronovech recommends a three year approach when a wellness program is geared toward an outcome of changing employee behavior. The first year is spent creating awareness, the second getting people engaged and the third looking at outcomes.

“You can’t really hold people accountable for changing their lifestyles and improving their metrics if they don’t know about it,” said Ronovech. “If they understand you
have three years to start improving, changing eating habits and exercise, you’re going to see more success.”

“The biggest perk is, the healthier you are, the more your health insurance is paid for you,” said Brian Bosma, an accountant with The Bosma Group. Working out together promotes team work, which transfers back into the office setting. Everyone’s working together whether they’re training for a 5k, running the Tough Mudder obstacle course or getting through tax season. The company keeps five bikes in the basement so staff can take rides through downtown Reno.

The motivation for putting together a program is two-fold, said Jeff Shaw, CEO, Southwest Gas. “We want our employees to be healthy and happy,” Shaw said. “That’s number one.” Second is that the more proactive a company can be about promoting wellness to employees the better that company can control rising healthcare costs.

When Southwest Gas executives couldn’t find a diabetes support program for employees, they created one called Managing Your Diabetes that combines education and biometric screening procedures that give employees access to their own healthcare data. When the company made the decision to go to smoke-free work environments, the company officers quit smoking, believing they couldn’t ask their employees to do what they wouldn’t.

The programs at Southwest Gas are set up so employees don’t have to pay to get the information they need in order to make healthy choices. “It’s a cost we incur, and it pays dividends for both the employee and the company,” said Shaw. “It’s a ‘we’re in this together’ approach we’ve taken for purposes of wellness for our employees.”

Healthy Choices

Tronox Limited, a company that mines and process titanium ore, has had an on-site, fully equipped gym at its Las Vegas site for 20 years, but only in the last year rolled out a wellness program at the Nevada operation, garnering about 30 percent participation. The program includes 24/7 access to health coaches by phone and annual biometric screening. Employees who take part receive a $480 wellness bonus. While wellness program participation is voluntary, the annual physical by a company-chosen doctor and the biometric screenings are not, and there’s no option for employees to use their own personal healthcare provider.

Offering screenings and physicals on-site makes access easier for employees. The easier participation is, the better the buy in. Bob Berglund, vice president, employee benefits, Boyd Gaming, said the company, which offers health insurance through a self-administered program, makes participation as easy as possible, including offering biometric screening on-site and providing on-site benefit coun-

**CORPORATE WELLNESS PROGRAMS:**

**Boyd Gaming**
- Free biometric health screenings on property for employees and covered spouses
- On-site health coaches who can assist in designing customized individual programs
- Annual weight-loss “Lost it to Win” contests
- Discounted health plan premiums to employees who participate in the health and wellness programs

**Carson Tahoe Health**
- Free annual biometric screening
- Software tracks points for participating in community fitness events
- Quarterly incentive prizes for participation in the wellness program
- End of year mega raffle prize awarded for points earned in wellness program
- Encourages participation in Tough Mudder

**Southwest Gas**
- On-site health coach
- Fifty percent Weight Watcher fees paid
- Walk to Wellness, which encourages employees to walk 10,000 steps daily

**The Bosma Group**
- Provides five bicycles for riding around downtown Reno
- On-site yoga
- Provides healthy snacks
- Encourages daily walks during tax season
- Financial incentives to participate in Tough Mudder
- Participate in Humana’s Vitality Program which covers employees health insurance based on their healthy lifestyles

**Tronox**
- On-site workout facility with machines and weights
- Discounts for gym memberships
- Free annual biometric screening
- Wellness coaching including nutrition, weight loss and cardio

**UnitedHealthcare**
- On-site farmer’s market every month
- Employee Bistro Café offers healthy food choices and cooking demonstrations
- American Diabetes Association accredited diabetes program
- United Wellbeing Challenge offered weight and stress management
- Walking club

**Wynn Las Vegas**
- On-site nutritionist who can create specialized meal plans
- Health-conscious on-site employee dining room
- Reimbursement for fees to participate in athletic events
- Free health education classes
- Online 24-hour program connects employees to a doctor 24/7
selors so employees can understand their healthcare benefits.

“It’s about getting healthier, learning about health and we hope in the long run to have less healthcare costs,” said Berglund. “Team members win by participating in the programs by having fun. The program is confidential and participation lowers significantly what comes out of the paycheck for insurance.”

Along with easy, fun is important. Ed Epperson, president & CEO, Carson Tahoe Health, says the company has really ramped up their program in the last few years and part of what employees seem to like is – fun. Along with 5k runs and yoga, Epperson put together a Tough Mudder team in 2012 on a dare, fairly convinced it was the one and only time he’d do the event. But word got out and it happened again in 2013. As for 2014? Chances are probably yes, Epperson said – because it’s just plain fun.

### Sustainability

So do wellness programs work? The benefits of on-site gyms, healthy food choices, the encouragement and time to work out with co-workers may be obvious, but are the successes employees are making sustainable? Whether employers want to believe they’re making a difference and employees want to believe they’re making changes, in the end it’s the individual who has to sustain the choices that have led to success. According to the American Cancer Society, approximately 75 percent of smokers who quit by using medication start again within six months. Estimates range from 50 to 95 percent of people who lose weight only to regain it.

There’s also the question of whether companies with successful wellness programs are paying into the programs the same amount they’re saving on health insurance premiums. Some studies have shown that companies with comprehensive wellness programs pay out in doctor visits and prescription drugs amounts that may be comparable to what they would have paid in employee hospitalizations. In many cases, however, a well-run wellness program offering incentives and finding employee participation can save a company anywhere from 20 to 55 percent on healthcare costs and find absenteeism reduced and productivity enhanced.

### Going Forward

For Wynn Las Vegas, the future holds employee-driven wellness committees to drive the programs.

Brian Bosma hopes to see more competition in more races as members train to run half and whole marathons.

Jeff Shaw would like to see employee participation increase from the current 50 percent to 75. Ed Epperson would also like to see an increase in participation – to just about double – and also more data, “to back up the numbers we hear about folks and how they’re doing so well,” he said.

At Tronox, Tommi Bryan, Human Resources representative, said they’re taking into account participation from the wellness program’s first year and looking for ways to get more employees actively engaged.

“Any employer who doesn’t recognize the value of the asset they have in an employee, and take every opportunity to help that asset be as healthy and as happy as possible, is really missing out,” said Shaw. “We know that we’re never going to be successful without healthy, happy employees, pure and simple.”

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### IN BRIEF

According to economic data from BizBuySell.com, the current median asking price of a business for sale in Las Vegas is $184,999. This is down from the $195,000 of this time last year.
Corder felt that the system should have, “more accountability at the teacher level and rewards for teachers who are doing a great job. My sense is that there is not a great accountability and differentiation between poor performers and great performers in the education system.”

Unions are necessary for Nevada’s workforce.

Unions are always a topic of discussion for Nevada business leaders with opinions on their usefulness varying by industry. This year’s poll indicates that 71 percent of executives feel they are not necessary for Nevada’s workforce.

“I think they provide very good training,” said Melroy. “They facilitate training for individuals and they are necessary for the purposes they serve with the bigger projects.”

“I understand why people are in unions and certainly we work closely with a lot of union employees. I’m not sure I would say they’re necessary,” added Corder.

Rating Elected Officials

As in previous years, this year’s poll asked respondents to grade elected officials based upon the job they are doing for Nevada.

President Obama received a “D”, which is consistent with the grade he’s received for his entire second term. LaGrange said, “I think he’s doing a horrible job. He’s never been in the private sector and he doesn’t know what it means to sign a paycheck. I don’t think he has any concept what these federal regulations do to a business or the impact that it has on the employee. That’s really doing a disservice to our country as a whole.”

Alternatively, Governor Brian Sandoval, has received a consistent grade of “B” (the highest overall of any elected official) for his time in office and many appreciate the work he’s done to diversify Nevada’s economy.

“I think Governor Sandoval has been fantastic,” said Guthrie. “He’s been very open and communicative about his vision. He is pro-business. I think his 50,000 job goal target is going to be met way ahead of schedule.”

Lieutenant Governor Brian Krolicki, Attorney General Catherine Cortez-Masto and Secretary of State Ross Miller will all be termed out this year. Krolicki received a “B” for his efforts, doing particularly well in the Rural and Northern areas of Nevada, and Cortez-Masto received a “C”.

Miller, who is running for attorney general, received a “B -” for his work on behalf of Nevada. Paul Steelman, founder of Steelman Partners, works with Miller quite a bit. He said, “I think he’s a good person. Nevada and the business community are definitely in his heart. I think he’s done quite a good job.”

Nevada’s federally elected officials didn’t do quite as well, with grades ranging from a “D +” for Senator Harry Reid to a “B –” for both Senator Dean Heller and Representative Amodei.

Ranking the Issues

While Nevadans agree that there is no place like home, the state still faces a few issues that cause concerns for business executives and owners. Transportation is not one of those issues. Most respondents say that transportation, while vital to the economy, has not been a concern. This year, executives were most concerned about the quality of education.

Taxes, as previously mentioned, are also of a concern for Nevada businesses. “The biggest concern for the state of Nevada is the threat of taxes,” said Steelman. “I would say the second concern would probably be to make sure Nevada has a superior education system.”

Water issues and healthcare both ranked very highly as a concern for Nevada executives.

“Yes, I’m concerned but I have confidence that the state has its arms around the problem there and, ultimately, solutions.” Ehrret said in regards to water issues. “I’ve been really impressed, having been in the Valley now 17 years, on how water conservation efforts have been handled. The results have been measurable, especially compared to neighboring states,” he added.

“The availability and cost of healthcare is probably the most important thing right now, in my mind,” said Gust. “Too many people have not been able to keep their healthcare provider contrary to what they
were told. I’m even concerned about my own healthcare for next year. I’m good for this year, but I don’t know what’s going to happen in 2015.”

The state budget, especially in a depressed economy, oftentimes becomes a major issue for business executives. This year, budget shortfalls ranked somewhere in the middle.

“The state budget is, in many ways, just a child of the economy,” said Restrepo. “If you have an economy that’s growing slowly and not seeing rigorous growth, you’re not going to see the state budget grow very rigorously. We have to have a pretty healthy economy for it to produce healthy tax revenues and we’re not seeing that yet. At the state level, we’ve got a pretty good handle on the cost side of things. The state has done its best.”

**Government in Your Business**

In previous years, government intervention has been a big issue for Nevadans. That hasn’t changed in this year’s poll, though the questions did. For 2014, respondents were asked about specific areas of involvement and whether or not the federal government had any business in those areas. “Every businessman in the world is concerned about government involvement,” said Steelman.

Education ranked highest in this section as well in regards to how concerned people are with government intervention. “I don’t think the federal government needs to be involved with education. That, to me, is all state and local,” said Ehret.

Privacy concerns and gun control were next on the list. Non-ACA health issues, such as dietary concerns, and religion rounded out the bottom of the list of concerns.

Overall, government involvement remains a concern for business executives with varying opinions on how far that involvement should go. Hooper summarized his thoughts saying, “The government is just plain overreaching. That’s the personality of this administration, they think they can control lives from Washington, D.C. I’m very Nevadan about this. Nevadans are known for fierce individualism. Let us take care of our own business.”

From the looks of this year’s poll, taking care of business is exactly what is on the minds of many executives. The optimism of Nevada’s decision-makers will, hopefully, trickle down to the entire community and put the Silver State back on top.

*Nevada Business Magazine would like to thank the hundreds of executives that took the time to participate in this year’s poll. The input of Nevada’s business community is a vital part of the magazine’s success.*

The following issues are ranked according to the level of concern/worry about them.

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May 13th
Southern Nevada

Save the Date!

May 15th
Northern Nevada

RSVP at NevadaBusiness.com/events
Las Vegas Metro Chamber Joins the Board of the USTA

The Las Vegas Metro Chamber has become the first metropolitan chamber of commerce in the nation to join the board of the United States Travel Association (USTA). The move signals the increased involvement of the chamber in travel and tourism. The USTA engages in a range of policy issues from visa reform, immigration and transportation systems to infrastructure.

CRC Announces Opportunity for Nevada Entities to Obtain Power from Hoover Dam

The Colorado River Commission of Nevada (CRC) has announced a call for applications for non-profit electric consumers to obtain power from Hoover Dam. This is a rare opportunity from the Hoover Power Allocation Act and provides low-cost, renewable electric power from the Dam. Applications must be received from eligible entities by March 31st. More information is available at www.crchooverallocation.com.

NNMC Recognized for Efforts to Reduce Healthcare-Associated Infections

The Northern Nevada Medical Center (NNMC) has been recognized by the Nevada Hospital Association (NHA) for efforts to improve patient safety by reducing or eliminating healthcare-associated infections. NNMC was one of 18 Nevada hospitals to participate in the NHA sponsored program. The program was funded by a grant from the Agency for Healthcare Research and Quality.
When businessman John Dermody accepted the Nevada franchise for the Philco Appliance Company and relocated his family to Reno in 1950, little did anyone suspect that this move would be the catalyst that created a successful industrial development company, Dermody Properties.

Appliances after World War II were like cell phones are today... consumers couldn’t get enough of them. Technology and styles were changing daily. After building a successful appliance business in Northern Nevada, Dermody sold it in 1960, but kept the building and became a landlord. His goal was to slow down. In fact, he moved his family in Europe for a year. But the calm didn’t last, as he turned his attention to real estate in Nevada.

To increase revenue, the State of Nevada, envisioning Northern Nevada as a Western US distribution hub, had passed the Freeport Law in 1949. This law exempted taxation on goods warehoused in Nevada. More significantly, California did not have this law and it taxed goods.

Soon John Dermody, along with other developers and landowners in the region, seized the opportunity and focused on Northern Nevada as a geographical hub for warehousing and distribution in the Western states. The industry grew quickly, attracting a diversity of companies. Dermody, a charismatic salesman, had soon recruited the first New York Stock Exchange company, Bigelow Carpet, to Reno/Sparks in the early 1960s.

In 1976 Michael Dermody joined his father’s successful two-man company. Although their careers would take different paths and Michael would buy out his father’s interest in the company in 1990, he and his father would work in the same offices together for more than 30 years.

In 1982, Michael Dermody became president of the company and took it in a broader direction, with what would become a trademark focus on customer service and also speculative development. The company was renamed Dermody Properties to reflect the broader business initiatives.

Michael began to vertically integrate the company and, in 1978, he created United Construction Company with key partners. United Construction soon grew beyond the Dermody Properties customer base, and began serving national clients.

At that time, Dermody Properties also developed its first speculative building. Reno/Sparks was growing into one of the premier industrial locations in the country, with the highest industrial square footage per capita. It was only natural to have Dermody Properties capitalize upon this scenario for greater growth.

After the recession of 1981, with fewer developers in the marketplace, the company increased local market share by 50 percent, which was made possible through its one-stop shopping approach. Dermody could now provide “under one roof” leasing, land, financing and construction.

In 1990, Michael Dermody saw the need for a strong, balanced financial platform to support the company’s growth, and so aligned with the California Public Employees’ Retirement System (CalPERS), the largest public pension plan in America. This general partnership was ahead of its time, for a local, private develop-
ment company like Dermody Properties, to partner with a large public pension fund. To broaden their financial model, he formed additional alliances with other major partners, including Lazard Frères & Co.

In 1992 Dermody was approached to take the company public, and even got as far as printing his S-11, but ultimately chose not to move forward. He preferred to remain privately held, which allowed the company to be able to better serve its clients and communities. Finally, in 2003 the company rolled up its entire portfolio into a new partnership with the California State Teachers Retirement Fund (CalSTRS).

These institutional partnerships were the springboard for the explosive growth that would occur during the 1990s and early part of the next millennium.

In 2004, understanding that the flow of logistics is the core of industrial development, Dermody Properties developed the LogistiCenter concept. Today, LogistiCenter is a national trademarked brand, owned by Dermody Properties. It represents the firm’s business philosophy of developing distribution facilities that meet the supply-chain requirements of companies.

In 2007 Dermody Properties made national news when it sold its portfolio of 25 million square feet to ProLogis. This transaction, in retrospect, would be viewed as especially iconic, given the unanticipated national economic recession that would begin within a few months. Dermody gives credit to his team who moved with unparalleled speed to be under contract with the buyer within two months.

After the sale, the company retained 500 plus acres to continue development. Dermody had the opportunity to slow down, but refused, and instead drew upon his 30 years of industrial development experience to create a new national team. This team is comprised of regional partners, based in markets where they had proven success. The company developed over 5 million square feet between 2007 and 2010, which was unique in that challenging environment.

Today, the company continues its national development reach, with corporate offices in Reno, and regional offices in Chicago, Philadelphia, Phoenix and Portland. Currently the company has more than $100 million in projects under development in Pennsylvania, New Jersey, Illinois, Kentucky and Nevada, and expects to add several new markets in 2014.

The team continues to expand and pursue opportunities for development across the nation. The most recent acquisitions have occurred in Carlisle, Penn., McCook, Ill. (in the Chicago area), Louisville, Ky., and most significantly, in Northern Nevada.

At the new LogistiCenter 395 in Reno, Dermody Properties has broken ground in its 91-acre industrial park, the first phase being a 624,000 square-foot warehouse/distribution facility. It will be the first major development of its scale in Nevada since 2008. The facility is scheduled to be completed in 2014 and United Construction Company will construct the project.

“Nevada is where we started. We are proud of our roots, and also our national footprint,” said Dermody. “We are a private business, and recognize that our success is due to the team members and communities who have supported us and who have allowed us to serve them.”
HERE'S THE BAD NEWS. WHEN IT COMES TO OVERALL HEALTH, NEVADA RANKS IN THE LOWER HALF AMONG ALL 50 STATES.

That's according to the 24th annual America's Health Rankings from United Health Foundation. The report, the longest running of its kind in the country, placed Nevada No. 37 among all 50 states for overall health, which is the same ranking the state received last year. Here's a snapshot of how Nevada fared in this year's report:

NEVADA'S STRENGTHS

• Low prevalence of binge drinking
• Moderate prevalence of diabetes
• Low incidence of infectious diseases

NEVADA'S CHALLENGES

• Low high school graduation rate
• High violent crime rate
• Low per capita public health funding

The good news is that Nevada residents are getting some things right. In 1990, approximately 36 percent of the population smoked compared to 18.1 percent in 2013. In the past year alone, the prevalence of smoking decreased from 22.9 to 18.1 percent of adults. Across the country, seventeen states had significant drops in smoking, with the largest seen in Nevada, Maryland, Oklahoma, Kansas and Vermont. In addition to the decrease in smoking, the prevalence of binge drinking decreased from 18.6 to 15.1 percent of adults.

A number of smoking cessation programs across the state have no doubt helped to decrease the prevalence of smoking, including, the Nevada Tobacco Users Helpline (Helpline), a division of the University Of Nevada School Of Medicine, Department of Psychiatry, which provides free and confidential telephone-based counseling for Nevada residents who want to address their tobacco use. For teens, Not On Tobacco (N-O-T) is the American Lung Association's (ALA's) voluntary program for teens who want to quit smoking. It is the most researched, most widely used and most successful such program in the United States.

Cardiovascular health has also improved in the state. In the past 10 years, the rate of cardiovascular deaths decreased by 25 percent from 340.0 to 271.9 deaths per 100,000 population. The state has also seen a decrease in the rate of preventable hospitalizations which decreased from 65.3 to 57.3 discharges for every 1,000 Medicare enrollees.

While it's important to take a moment to applaud these successes, continued progress cannot be taken for granted. Significant challenges remain.

At 26.2 percent of adults, the prevalence of obesity is lower in Nevada than the median state; however, more than 560,000 adults are obese in the state. Obesity, especially childhood obesity, continues to be a major health crisis.

According to the Centers for Disease Control, obesity rates continue to rise especially for young people in Nevada.

Among Nevada's adolescents in grades 9 through 12

• 13.4 percent were overweight (≥ 85th and < 95th percentiles for BMI by age and sex)
• 11.0 percent were obese (≥ 95th percentile BMI by age and sex)

Among Nevada's children aged 2 years to less than 5 years

• 14.6 percent were overweight (85th to < 95th percentile BMI-for-Age)
• 13.6 percent were obese (≥ 95th percentile BMI-for-Age)

Other challenges impacting the state include high rate of individuals without insurance. In the past five years, the percentage of uninsured populations increased from 18.4 percent to 23.0 percent of the populations. The rate of children in poverty has increased from 9.1 percent to 22.7 percent of persons younger than 18 years.

Efforts have been ongoing statewide on behalf of the public and private sectors to reverse dangerous health trends, such as the prevalence of binge drinking, smoking, immunization coverage and improving our overall health outcomes, such as reducing infant mortality and cancer deaths.

Hundreds of programs across the U.S. aimed at fighting diseases and improving care are helping increase the overall health of Nevada residents. Together, Nevadans can break down barriers to high-quality care. The state can take on obesity as it took on smoking. Nevadans can win. It will take work, certainly, and time, but the health of Nevada is worth that effort.

VITAL SIGNS

HOW HEALTHY IS NEVADA?

Laurine Tibaldi, MD is chief medical officer for UnitedHealthcare of Nevada
Imagine watching an NBA game. With the Los Angeles Lakers leading the Boston Celtics 95 to 82 in the fourth quarter, the referees stop the game and award the Celtics 15 of the Lakers’ points and make the score 97 to 80 with the Celtics now leading.

That would be outrageous and unjust, wouldn’t it? The Lakers earned their points, and it would be wrong for the supposed-to-be-neutral refs to award those points to their competitors.

Absurd as this scenario might seem, it’s analogous to what the City of Las Vegas would be doing if it moves forward on a proposal to publicly subsidize a downtown sports arena. It would be picking winners and losers in the economy by taking tax dollars from certain private businesses to subsidize their competitor.

The Las Vegas City Council recently agreed to give the Baltimore-based Cordish Companies a four-month extension on arranging financing for a future arena on city-owned land. Cordish has proposed building a $390 million arena with $151 million from the company, $187 million in taxpayer-backed bonds and $52 million from a source to-be-determined.

Aside from picking winners and losers in the economy, this agreement would put taxpayers on the hook for over $187 million in bonds plus interest, while directing profits to a single private company. This would affect taxpayers for decades to come.

The pitfalls that come with the government assisting businesses to compete with already existing companies are not hypothetical. They have been all too real in the City of Reno.

In 2009, Reno opened a new ballpark for the Reno Aces. The beautiful ballpark came with a $55 million short-term loan and a commitment from the Reno Redevelopment Agency (RDA) of a subsidy of at least $1 million a year to refinance and then pay off the new loan. When the economy and property values crashed, however, the RDA ran out of money. Who’s making up the difference? Taxpayers.

Last year after team owners threatened to leave, the City of Reno agreed to pay $1 million in general fund monies annually for 30 years to help pay off the stadium.

Meanwhile, Washoe County officials are trying to recoup nearly $1.7 million in back property taxes from the project’s developer. Given the nuances of a public-private partnership such as this, the legal remedies to recoup public losses are limited. The developer, however, is confident he can resolve the tax debt — at which point he intends to approach the county for another public subsidy, this time for $15 million.

The problems of publicly funded arenas stretch well beyond Nevada. Communities that venture into the stadium-subsidizing business have a history of coming out on the losing end. Time and time again, government officials and bureaucrats invest the taxpayer’s money into a sports venture, only to have the grandiose promises of neighborhood revitalization and economic stimulation fall flat.

The $187 million in bonds proposed for the Cordish project are projected to be repaid through stadium revenue. But the past performance of publicly subsidized stadiums like the Aces’ ballpark shows that actual revenue almost always trails behind overly optimistic projections. Then the public is left to foot the bill.

What makes these potential subsidies worse is that the Las Vegas area already boasts several arenas, and MGM Resorts International and AEG even plan to break ground on a new and privately financed sports arena on the Strip later this year.

How could a city government justify taking money from one company and giving it to its competitor? It can’t. Not only does history show that government subsidies to businesses are economically foolish, they’re also as fundamentally unjust as a ref awarding the Celtics points scored by the Lakers.

If we wouldn’t allow it in a basketball game, we shouldn’t stand for it in real life either.
DIGGING UP THE DEBT
NEVADA’S COLLECTIONS INDUSTRY

By Jessica Santina

While a noticeable lack of silver in the Silver State has put the pinch on residents and businesses in recent years, one of the few industries to have thrived has been debt collections.

As a result of the state’s heavily touted, sky-high unemployment rates, we’ve seen explosive growth not only in foreclosures but also in household debt. According to Consumer Reports, in 2010, Nevada had the third-highest average household credit card debt in the nation, at $6,517, and the Bankruptcy Institute reported Nevada’s bankruptcy rate as the highest in the nation in 2011. The Credit Card Debt Resource Center says that the state’s average FICO score of 655 is the second-lowest in the nation, well below the national average of 680 (below 700 is considered “poor”).

Someone has to go after all this debt, which is why Nevada’s collections industry has grown by leaps and bounds.

Recession Effects

George Burns is commissioner of the Financial Institutions Division of Nevada’s Department of Business and Industry. His office regulates and licenses depository (banks) and non-depository (payday lenders and collection agencies) financial institutions in the state. Burns says that since his appointment in July 2007, at the onset of the financial crisis, collections work has been brisk.

“It’s probably grown about 500 percent since then,” Burns says. “When people lose jobs and things go down, collection agencies spring up to fill the need. The thing we’ve found interesting is that in our planning, budgetarily and resource-wise, for the coming biennium, we anticipated a decrease as the economy improves. But we’ve seen no decrease in the number of agency licensees. We’re actually adding to our current base. I don’t know about the rest of the country, and I can only speak for Nevada, but to me that’s going to be the most telling sign of how well the ‘recovery’ is going.”

“Collection agencies see recessions coming first, even before people start defaulting on homes. People tighten up quickly, and we can see it coming,” says Marel Germain, president of the Nevada Collectors Association (NCA) and president and CEO of her own collection agency, Credit Bureau Central. The NCA promotes good collection practices, educates, and lobbies on behalf of its members.

“We’ve lost more jobs per capita, and had the biggest percentage of underwater homes, the most foreclosures, the highest unemployment rates … and the number of collections, or inventory, has risen proportionately,” Germain says. “So now that it’s seven or eight years later, is it better? Probably a little bit. Things are leveling out in terms of employment, and the foreclosure rate has dropped, but we’re still in the top three or four [in the nation].”

Germain insists that most people want to pay their debts, and that most people have been contacted at least once by a collection agency. She explains that the real estate bubble caused a lot of people to use their home equity to refinance, or pull money out of their piggy banks to pay off debt and reinvest in homes. When they lost their jobs or saw their salaries cut, debts couldn’t be paid. But even as the economy begins its recovery, debt remains high, and people’s piggy banks are already broken. Despite employment growing, there’s no extra money lying around to pay off debt.
“The situation has improved a bit, but we are still in a recession in collections,” she says, adding that the first few months of the year (tax time) are even busier, since this is the time most businesses look at past debts and renew their efforts to collect on them before cutting their losses and writing them off.

Regulatory Realities

Despite the ever-changing economy, very little has changed in terms of the collections industry’s regulatory environment.

Since the Fair Debt Collection Practices Act, an amendment to the Consumer Credit Protection Act, was passed in 1996, bill collectors have been required to observe strict guidelines while conducting collection activities, particularly with regard to communications with the debtor. Collectors may send one letter; postcards are forbidden, and envelopes may not indicate the purpose of the letter. Following that, collectors may place only one phone call, during which they must identify themselves immediately as calling only to confirm the person’s location.

Collectors may not state that the person owes the debt. These calls are recorded, by law. They may not be made to consumers’ places of business, and must take place within “reasonable” times (unless explicitly stated otherwise, between the hours of 8 a.m. and 9 p.m.). There may be no threats of any sort, no constant ringing of phones with the intent to annoy, no misrepresentations, no accusations and no harm done to the image of the debtor.

Within the state, Nevada’s Revised Statute 649 governs collection practices, and the Financial Institutions Division examines collectors carefully each year to ensure compliance and maintenance of licensure.

“We vigorously license and examine collection agencies to protect the public interest in accordance with the law,” Commissioner Burns says. “Folks should know that at any time, if they feel something’s amiss, they can file a complaint with us; claim forms are available on our website. We’ll examine those complaints. If they’re getting contacted after appropriate hours, they’re threatened, or it’s hostile, or if the consumer says ‘do not contact me anymore,’ they have to stop.”

But while nothing has changed at the state level with regard to regulations, one new development at the federal level is the formation of the Consumer Financial Protection Bureau (CFPB), through the Dodd-Frank Act of 2010. Though the Federal Trade Commission has had oversight, states primarily governed their own collection practices until the CFPB was formed.

“Interesting Dynamics

The collections industry has seen a number of interesting developments, resulting from the economy, the regulatory environment and technology.

Patrick Reily is a managing partner in the Las Vegas office of the legal firm of Holland & Hart. He represents financial institutions (depository and non-depository) in suits filed for alleged violations of collection practices laws. He says that in recent years, Holland & Hart has seen growth in the number of suits filed over collections practices.

“What’s changed since the recession is the dynamics with the lawsuits filed against financial institutions—particularly class actions,” Reily says. “Once the economy went bad in 2007, we saw an explosion in consumer bankruptcies. A lot of small law firms claimed to be bankruptcy lawyers. A lot of that has dried up now. Now they’re holding themselves out as consumer protection lawyers, and are filing suits over the consumer protections act. Even if you only win a dollar in a lawsuit, you can collect attorney fees.”

Nevada is among the three states seeing record filings for debt collection complaints. Reily says that in one day, he encountered one attorney filing five separate consumer protections suits against companies.

“These lawyers hope to get enough suits to get class certified, then file big class-action suits. But these suits don’t help consumers; they help lawyers,” he says. “They just want to file and get a quick settlement, and pocket a few thousand dollars in fees.”

Reily adds that the institutions he represents often will pay the claims made against them, because it’s cheaper than having him fight the claims in court.

“It’s a file-first, ask-questions-later kind of mentality, and it just drives up costs to do business,” he says. “They are the new ambulance chasers.”
Reilly recalls one instance in which his opposing counsel had posted an ad on Craigslist offering $50 an hour for former employees of his client to come in and talk about the business practices of their former employer. “It’s pretty sleazy stuff,” he says.

Technology has transformed the collections industry in many other ways, too, including helping them to stay compliant.

“One of the things we’re keeping an eye on is the use of automation, or ‘robo-calling,’ with pre-recorded messages,” Burns says. “For instance, they might say, ‘This is Acme Collection Agency, contact us immediately.’ It’s a generic, automatic dialer.”

He adds that the information age has enabled creditors to obtain additional information from borrowers, such as cell phone numbers and email addresses, meaning that auto-dialers can actually send texts and emails, too.

Are these new methods effective?

“I think it’s a matter of efficiency,” says Burns, “but I don’t know whether it’s more effective than a human calling.”

He adds that many agencies also can program auto-dialers to call only between 8 a.m. and 9 p.m.

“One of the areas of concern is that once you automate something, it’s difficult to turn it off,” Burns says. “Companies have to be very diligent. When they get a no-contact notification from a consumer, they have to be careful to adjust the system not to contact them anymore, in accordance with the law.”

For those calls placed by actual representatives, voice analytics software enables companies to closely monitor recorded calls in order to decrease cases of abusive language. This technology screens for certain problematic verbiage—terms like “gamish” or “sue you,” for instance, which could be considered threatening, intimidating or hostile.

But ultimately, says Germain, the consumer has control—to pay or not to pay.

“We can put it on a credit report, but we’re always guided by federal and state laws and regulations. And we’re also guided by our clients; the client is concerned about their business’ image,” Germain says. “My company takes the approach that you may owe the money, and we’d like you to consider paying it, and we’ll deal with you in a friendly, dignified way so the consumer doesn’t feel abused. It’s up to the consumer and the client to decide whether or not to do business again. We, as collection agencies, like to take the approach that it’s better to work with the consumer than against.”

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Kendle Walters, vice president of Nevada Business Magazine, can help you navigate branding, marketing and image-building for your company. With a Masters in Media Studies, Kendle has over 10 years of marketing experience and is more than qualified to assist in taking your business to the next level.

Contact Kendle
702.267.6328 or kendle@nevadabusiness.com
Lease, Industrial
ADDRESS 4935 Steptoe St. Ste 500, 89122
TENANT Charming Exhibition Inc.
LANDLORD Lomas Regency LLC
DETAILS 5,850 SF; $82,464 for one year
REP (BOTH) Jarrad Katz, CCIM and Galit Kimerling of MDL Group

Sale, Office
ADDRESS 3039 W. Horizon Ridge Pkwy., 89052
BUYER Denco, LLC
SELLER Vantage at Horizon Ridge, LLC
DETAILS 6,754 SF; $1,725,000
APN 177-35-510-029
BUYER’S REP William Skupa and Gino Vincent of MINT Property Group, Ltd.
SELLER’S REP Joseph DeSimone of First Federal Realty DeSimone

Lease, Industrial
ADDRESS 1051 Olsen St. #3311, 89011
TENANT Whiting Turner Contractors
LANDLORD Ten Buildings LLC
DETAILS 5,426 SF; $31,920 for one year
REP (BOTH) Sam Scalaletta of MDL Group

Sale, Vacant Land
ADDRESS NWC of Aliante Pkwy and Elkhorn Rd., 89084
BUYER BCNM LLC
SELLER Aliante Med. LLC
DETAILS 1 acre; $413,850
APN 124-17-415-002
BUYER’S REP Ron McMenemy of McMenemy Investment Services
SELLER’S REP Charles Van Geel of American Nevada Realty

Sale, Multi-Family
ADDRESS 1001 E. Carey Ave., 89030
BUYER Desert Palms, LP
SELLER Desert Palms North, LLC
DETAILS 248 units; $7,800,000
APN 139-23-101-001
REP (BOTH) NAI Vegas’ Sauter Multi-family Group

Project, Retail
ADDRESS East of the 215 Beltway between Sahara Ave. and Charleston Ave., 89135
DETAILS The Shops at Summerlin is a 106-acre development within the planned center to be known as Downtown Summerlin, a 22,500-acre master planned community that will include retail, entertainment, office, hotel and multi-family residential. Construction on The Shops began in the middle of 2013 and is expected to open in late 2014 featuring more than 125 stores and restaurants.

Sale, Vacant Land
ADDRESS SEC of W. Hacienda and S. Fort Apache Rd., 89148
BUYER KB Homes
SELLER Hacienda 50 LLC
DETAILS 40 acres; $17,509,800
APN 163-29-301-001
BUYER’S REP Michael Stuart of Colliers International
SELLER’S REP Robert Torres and Scott Gragson of Colliers International

Sale, Vacant Land
ADDRESS Sunset Rd. & Gagnier Blvd, 89113
BUYER Panattoni Development Company, Inc.
SELLER Beltway 4.77 LLC
DETAILS 4 acres; $4,000,000
APN 176-04-101-012
BUYER’S REP Susan Borst of Cushman & Wakefield Commerce
SELLER’S REP Scot Gragson of Colliers International
Sale, Industrial
ADDRESS 4325 W. Patrick Ln., 89118
BUYER Vegas Closeouts LLC
SELLER Leumi B., LLC
DETAILS 7,104 SF; $625,000
APN 162-31-712-000
BUYER'S REP James Griffin of MDL Group
SELLER'S REP Eric Larkin of Musser Capital Real Estate Advisors

Sale, Multi-Family
ADDRESS 9550 W. Sahara Ave., 89117
BUYER Griffis Residential
SELLER The Picerne Group
DETAILS 332 units; $43,160,000
APN 163-06-814-003
SELLER'S REP Christopher Bentley and Melissa Salas of Apartment Realty Advisors

Lease, Office
ADDRESS 9420 W. Sahara Ave., Stes 100, 200, 201 & 204, 89117
TENANT Large Vision I, LLC

LANDLORD 9440 West Sahara Holdings, LLC
DETAILS 15,298 SF; $1,313,945 for 63 months
TENANT'S REP Craig Sutton of Keller Williams
LANDLORD'S REP Bob Hawkins of Cushman & Wakefield Commerce

Loan, Office
ADDRESS 6330 S. Jones Blvd., 89118
BORROWER Infinity Hospice Care of Las Vegas, LLC
LENDER TMC Financing
DETAILS $4,980,000 loan for a construction project adding a 9,616 SF hospice unit and a 9,015 SF office support building.
LENDER'S REP Cindy Santilena, CCIM of TMC Financing

Lease, Church
ADDRESS 6344 W. Sahara Ave., 89146
TENANT International Church of the Four Square Gospel
LANDLORD West Sahara Associates
DETAILS 16,400 SF; $488,392 for five years
LANDLORD'S REP Joseph Anderson and Neil Dela Cruz of MDL Group

Sale, Office
ADDRESS 300 Kresge Ln., 89431
BUYER JKN LLC, 300 Kresge Series
SELLER Big Julie Inc
DETAILS 18,318 SF; $600,000
APN 034-258-01

Sale, Industrial
ADDRESS 3450 Airway Dr., 89511
BUYER TR Reno LLC
SELLER Mept Southwest Comm Ctr III & IV
DETAILS 395,488 SF; $53,846,000
APN 025-480-42

Sale, Office
ADDRESS 5605 Riggins Ct, 89502
BUYER Riggins Court LLC
SELLER Wee Bee Partners LLC
DETAILS 14,040 SF; $800,000
APN 025-552-10

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Lease, Church
Another trend is large organizations reducing their full-time workers’ hours from 40 to 30 as under ACA, a “full-time employee” or “full-time equivalent” (FTE) is one person employed an average of at least 30 hours per week.

“There is some uncertainty going on with the whole health insurance thing,” Katz said. “What’s this going to cost us? Should we pay the fine, and let the person go through the exchange? Or is it going to be too much?”

So what does the ACA require of companies? First, how they’re affected depends on which size category they fall into, as each has its own provisions. The categories are:

- Self-employed
- Employers with fewer than 25 FTEs
- Employers with 25 to 49 FTEs
- Employers with 50 or more FTEs

By 2015, employers with 50-plus FTEs must purchase health insurance for their workers or pay a penalty, a policy referred to as “the employer mandate.” Employers may be penalized for either not providing health insurance or not providing affordable health insurance. Furthermore, the penalties differ between 50-plus FTE employers that offer health insurance coverage and those that don’t.

Employers in this category that don’t provide coverage and have at least one employee who receives a credit or subsidy through an exchange must pay a penalty for not offering coverage. The penalty is $2,000 annually times the number of FTEs, minus 30. (Thirty FTEs are exempt; this is to give some leeway to businesses bordering between the medium- and large-sized employer categories.)

When 50-plus employers provide coverage but the insurance doesn’t pay for 60 percent of covered healthcare expenses for a typical population, then employees may buy coverage through an exchange and receive a premium tax credit. In this case, the employer is penalized for not providing affordable health insurance. The same holds true for employers offering coverage but the employees have to pay more than 9.5 percent of family income for it. The employer penalty in both of these scenarios is $3,000 annually for each FTE receiving a tax credit, minus 30, up to a maximum of $2,000 per FTE. Note that these penalties aren’t tax deductible by employers whereas health insurance premiums are.

“Many times when I talk to companies, they’ll say, ‘the heck with it, I’m just going to pay the penalty,’” Annis said. “That’s the wrong approach to take. It’s not the right decision for the long-term of your organization.”

This is because companies must continue to be able to attract and retain employees in this competitive marketplace, and offering benefits helps in that regard, Annis added. Additionally, in about 10 years, competition for middle and upper management will be fierce because there will be fewer individuals to fill those jobs as the number of Gen-Xers will be significantly lower than that of Baby Boomers.

“There is some uncertainty going on with the whole health insurance thing. What’s this going to cost us? Should we pay the fine and let the person go through the exchange? Or is it going to cost too much?”

— Andy Katz

A 20-year insurance industry expert and Vice President/Principal of LP Insurance, Lloyd Barnes leads the Employee Benefits division. He and his team work with a variety of clients including technology, health care, manufacturing, municipalities, hospitality, service and others. With a skilled group of benefit professionals, including ERISA attorneys, LP is committed to providing creative, cost-effective benefit solutions. In today’s rapidly changing regulatory environment, benefits plan management has become increasingly complex. LP simplifies the process, working with clients to develop a targeted strategy that not only meets the needs of employees but aligns with financial goals and adds value to the business. The LP Insurance Employee Benefits group specializes in strategic benefits planning: aggressive cost control; employee education and advocacy; and efficient benefits and HR administration.

### Cover Story

- **ACA Changing the Landscape**
- **Lloyd Barnes**
- **Practice Areas**
  - Employee Benefits
  - Strategic Benefits Planning
  - HR Administration

LP Insurance Services
300 East 2nd St. Suite 1300
Reno, NV 89501
P 775.996.6000
F 775.473.9288
lloyd.barnes@lpins.net
www.lpins.net

EMPLOYMENT ISSUES
Another ACA-related expense for certain companies will come with the required compiling and reporting of data related to their health insurance offerings. The first reports are due in 2016.

On the flip side of ACA costs, however, is a credit that’s available for small businesses to help them offset their health insurance costs, according to the U.S. Small Business Administration. Small businesses with fewer than 25 FTEs may be eligible for the federal Small Business Health Care Tax Credit, which works on a sliding scale and as of January 2014, has increased to a maximum of 50 percent from 35 percent. To qualify, small businesses must: 1) have average annual wages below $50,000; 2) contribute 50 percent or more toward employees’ self-only premium costs; and 3) buy coverage through the Small Business Health Options Program (the opening of the SHOP has been pushed back to Nov. 1, 2014.)

The credit may be claimed for any two consecutive taxable years beginning in 2014 or a later year, through the SHOP. Starting in 2016, employers with up to 100 employees may participate.

On the Horizon

Another potential expense for Nevada companies would be the maximum 2 percent proposed margins tax that the state’s citizens will vote on in November. Meant to target big business, the intent of the tax is to raise about $800 million for Nevada’s primary education, according to The Education Initiative. Companies whose annual revenue is $1 million or less would be exempt from the tax. Those whose income exceeds $1 million would pay 2 percent on 70 percent of that total revenue. For example, a company with annual revenue of $1.5 million would pay 2 percent on 70 percent of that $1.5 million, or $1.05 million, which would equal a $21,000 tax.

All companies should look closely at and understand their tax, health insurance and other responsibilities as employers, experts advised. They must embrace human resources more than they’ve done in the past.

“As business changes, there are more and more issues, more and more regulations and moving pieces from an employment standpoint that require more diligence and protection,” said Annis.

According to a report from the Congressional Budget Office (CBO), the Affordable Care Act will reduce the number of full-time workers by 2.3 million by 2021.
OFFICE SUMMARY
FOURTH QUARTER 2013

SOUTHERN NEVADA

The Las Vegas office sector ended 2013 on a somewhat positive note as it reported positive net absorption for the third consecutive quarter. While the vacancy rate remains elevated, the latest period represents a decline of 0.2 percentage points compared to the prior quarter. Compared to a year ago, the rate is down 0.3 percentage points.

During the quarter, the second phase of Seven Hills Plaza completed construction. The building added 45,700 square feet to the market. When added to the 35,000-square-foot Legal Aid Center of Southern Nevada, completions for 2013 totaled a relatively modest 80,700 square feet.

During the fourth quarter, the office sector reported approximately 129,100 square feet of positive net absorption. For the year, net absorption in the office sector totaled positive 203,300 square feet, which outpaced the 65,500 square feet of net move-ins reported in all of 2012.

Construction activity increased to 443,000 square feet by the end of 2013, sourced to four projects throughout the valley. Despite the recent increase in office construction, another 2.2 million square feet remains planned or stalled with no plans for completion any time soon.

With more than one quarter of its inventory sitting vacant, the office sector continues to report a vacancy rate substantially higher than the retail and industrial markets. However, in the fourth quarter of 2013, the office sector reported its first-year-over-year decline in vacancy rate since the first quarter of 2006.

NORTHERN NEVADA

As the year has progressed, the Northern Nevada office market has continued to improve at a rate not seen since the start of the elongated recession. The quarter was incredibly positive for the Northern Nevada office market as over 105,000 square feet of space was absorbed by local economic growth. Most notably, the two transactions that led the charge were Custom Ink’s expansion into over 50,000 square feet at Reno Tech Center and LP Insurance’s expansion into over 22,000 square feet at Park Center Tower.

Absorption accelerated beyond expectations more than quadrupling quarter over quarter measures. The South Meadows submarket led the charge with 46,000 net square feet while Downtown absorbed nearly 30,000 net square feet. The overall effect of the ebb and flow of absorption quarter over quarter brought our overall vacancy down to 14 percent, not to include sublease space. The Meadowood submarket continues to be the stronghold at 11.4 percent vacancy while netting over 12,000 square feet absorbed.

Quality spaces in the Class A buildings are at a premium and very scarce. Though no plans exist at this time to develop new office product in Downtown Reno, several assets have been purchased and are in the process of being rehabilitated; most notably 1 East Liberty Street (formerly the US Bank building) and the former Downtown Post Office.

OFFICE FOURTH QUARTER

<table>
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<tr>
<th>TOTAL MARKET</th>
<th>LAS VEGAS</th>
<th>RENO</th>
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<tr>
<td>Total Square Feet</td>
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<td>Under Construction</td>
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<td>Planned</td>
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NEXT MONTH: RETAIL

<table>
<thead>
<tr>
<th>MF/SF:</th>
<th>Modified Gross Full-Service</th>
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<tbody>
<tr>
<td>SF/MO:</td>
<td>Square Foot Per Month</td>
</tr>
<tr>
<td>NNN:</td>
<td>Net Net Net</td>
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Southern Nevada analysis and statistics compiled by Applied Analysis, Northern Nevada analysis and statistics compiled by NAI Alliance Reno

NEVADABUSINESS.COM
The "advance" estimate for fourth quarter 2013 shows U.S. real gross domestic product increasing at an annualized rate of 3.2 percent, below the 4.1 percent growth experienced during third quarter 2013. Personal consumption expenditures, non-residential fixed investment, net exports and state and local government spending made positive contributions. Federal government spending and residential investment made negative contributions. The unemployment rate fell from 6.7 percent to 6.6 percent. Housing starts were up year-over-year, and housing prices continued to rise. Auto/truck sales and retail sales were also up year-over-year. Consumer confidence and consumer sentiment rose for the most recent data. The Kansas City Financial Stress Index remained near its long-run average in December, which suggests no financial headwinds. Nonetheless, commercial paper outstanding is not yet showing much growth. The Nevada economy evidenced mostly positive signals for the most recent data. Seasonally adjusted, statewide employment increased by 2,200 (0.2 percent) jobs from November to December, and it was up 1.8 percent year-over-year. Taxable sales continued to show strong growth, up 2.1 percent from last year. Total air passengers were up 3.8 percent over the same time period. Gaming revenue also experienced gains for the month, up 9.6 percent from December 2012.

For Clark County, seasonally adjusted employment rose from November to December by 200 jobs and was up 2.0 percent year-over-year. Total passengers at McCarran Airport were up 4.1 percent from a year earlier. December visitor volume was down 2.2 percent from a year ago. Gaming revenue was 11.8 percent higher in December than a year earlier. Clark County's taxable sales for November were 5.7 percent above those from a year earlier.

The most recent data show mostly positive signals for Washoe County as well. Seasonally adjusted, Reno-Sparks' employment increased by 400 (0.2 percent) jobs from November to December. Total employment is up from a year ago, by 1.3 percent. Compared to a year earlier, December visitor volume was up 5.3 percent. Total air passengers were up 0.9 percent from December 2012. Gaming revenues for December were down 5.3 percent from a year earlier. Residential construction remained relatively constant in December, while commercial construction permits remained low.

The U.S. economy experienced moderate growth for fourth quarter 2013. Consumer spending and most measures of the housing market are showing continued improvement. A weak national economy is affecting Nevada in the form of slowing growth in tourism. Despite the slowing tourism, taxable sales continue to make gains at the state level. Nevada's employment is also showing relatively stable year-over-year gains.

**Source:** Nevada Department of Taxation; Nevada Department of Employment, Training, and Rehabilitation; UNR Bureau of Business and Economic Research; UNLV Center for Business and Economic Research; McCarran International Airport; Reno/Tahoe International Airport; Las Vegas Convention and Visitors Authority; Reno-Sparks Convention and Visitors Authority; U.S. Department of Commerce; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Federal Reserve System.

**Note:** NSA = Not Seasonally Adjusted, SA = Seasonally Adjusted

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**Nevada Business Magazine**

**March 2014**
**Stephanie Angold | Founder/Owner, The Find in Reno**

“My first answer would be my family, but after that I would have to say my bed. My mattress, sheets and pillows are so wonderful that even when I don’t get my eight hours (due to our hectic schedules) I still feel refreshed.”

**Ryan Stibor | Managing Attorney, Davis Stibor**

“My most prized possession would have to be all my photos from traveling through Italy, South Africa, Spain, Brazil, Czech Republic and the US as they definitely remind me of great times and give me motivation to continue to work hard.”

**Timothy Lam | Executive Director, International School of Hospitality**

“The pineapple carving by my father is my most prized possession. It hangs at the school as a tribute to him, and the pineapple holds meaning as the symbol of hospitality, embodying qualities we want our students to leave with.”

---

### What is your most prized possession?

**Scott Faulkner | Executive Director, Reno Chamber Orchestra**

“My 1735 Hornsteiner string bass, made in Mittenwald, Bavaria. A family heirloom given to me by my uncle Stan Fletcher, it was made when Bach was alive and before Mozart was born. Personally and occupationally it’s a crucial part of me.”

**Brian Vanderburgh | General Manager, Recreation Development Company LLC**

“My most prized possession is a pen which belonged to my mother. My mother and her pen assisted me with several applications for college and wrote my first deposit for Syracuse, which gave me the opportunity to be successful early on in my career.”

**Christy Jerz | Assistant Director, Nevada Alumni Association**

“I’d be lost without my Kaia Fit membership. Who’d have guessed a fitness program could be life changing? I’ve learned to appreciate sore muscles, sweat and pushing myself. But the most amazing result is the camaraderie – love my Kaia girls!”
Employers
Get Rewarded For Helping Revitalize Nevada’s Economy!

Governor Sandoval instituted the Silver State Works initiative to create an opportunity for employers to help strengthen Nevada’s economy while receiving incentives to hire pre-screened qualified workers to staff their businesses.

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Find employees who are ready, willing and able to work and possibly qualify for tax incentives!

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702.486.5230

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www.nevadajobconnect.com 702.486.0129
In 2013, we approved more SBA 504 loans* than any other bank in Nevada. If you have goals for your business, don’t go it alone—recruit a champion. Whether you want to finance a new building, secure equipment or manage your cash flow, we can help. Call today.

*Loans subject to credit approval. Restrictions apply. Ranked by the U.S. Small Business Administration by number of loans approved in Nevada during SBA fiscal year 2013.