

Name of Organization: Nevada State Board of Agriculture

Date and Time of Meeting: December 9, 2008 at 9:00 am
December 10, 2008 at 9:00 am

Place of Meeting: Boulder Station Hotel & Casino
4111 Boulder Highway
Las Vegas, NV 89121
Telephone: (702) 432-7777

Minutes

December 9, 2008

1. Call to order by Acting Chairman Alan Perazzo.

The meeting was called to order by Acting Chairman Alan Perazzo at 9:00 am. Acting Chairman Perazzo recognized Hank Combs, President of the Nevada Farm Bureau and Marty Owens, State Statistician, Nevada Agricultural Statistics Service, Cooperative Extension, University of Nevada, and Allen Biaggi, Director of the Department of Conservation and Natural Resources.

Acting Chairman Perazzo welcomed the new members to the Board; Paul Anderson, Boyd Spratling, and Dean Baker.

Board Members Present:

Paul Anderson
Dean Baker
Dave Barton
Dan Hetrick
Jim Johnson
Ramona Morrison
Alan Perazzo, Acting Chairman
Benny Romero
Boyd Spratling
Hank Vogler

Board Members Absent:

Marta Agee

Staff Members Present:

Tony Lesperance, Director
Sandie Foley
Chris Collis
Dr. Phil LaRussa
Mark Jensen
Dawn Rafferty
Charles Moses
Katie Armstrong, Dep. Atty. General

Guests:

Nancy Lesperance, Liberty L & L
Lorrie Foley
Hank Combs, Nevada Farm Bureau
Martin Owens, USDA - NASS
Allen Biaggi, Conservation/Natural
Resources
Matt Adams, KLAS-TV8
George Knapp, KLAS-TV8
Larry Ruvo, Southern Wine & Spirits

Katie Armstrong, Deputy Attorney General administered the oath of office to the new the Board members.

2. Board Business

A. Approval of Board minutes from December 9, 2008 and December 10, 2008 meetings.

Dan Hetrick made a motion to accept the minutes as written. Hank Vogler seconded the motion. Motion carried unanimously.

B. Election of officers.

Acting Chairman Perazzo opened nominations to the Board for nominations for Chairperson.

Jim Johnson nominated Alan Perazzo for Chairman.
Hank Vogler nominated Ramona Morrison for Chairman.

A vote was taken by show of hands. Ramona Morrison received 4 votes. Alan Perazzo received 5 votes. Alan Perazzo voted in as Chairman.

Chairman Perazzo opened nominations for Vice Chairman.

Hank Vogler nominated Ramona Morrison for Vice Chairman.
Benny Romero nominated Jim Johnson for Vice Chairman.

A vote was taken by show of hands. Ramona Morrison received 7 votes. Jim Johnson received 2 votes.

2. C Director's Evaluation Form

A committee was appointed at the last Board meeting to review the evaluation form that was previously used to evaluate Director. The committee wanted to make changes where necessary to enhance the evaluation process. The committee members included Ramona Morrison, George Botta, Jim Johnson and Dave Barton.

It was agreed that the Director's evaluation would take place at the first meeting of each calendar year. Jim Johnson said the committee worked diligently on this form and said the members felt strongly that the four basic categories were all that were needed to be considered. He recommended deleting the #10 "not observed". All Board members indicated they were clear with the instructions on completing the evaluation.

Board members were asked to complete the evaluation and forward it to Chairman Perazzo for compilation. The evaluation will take place at the next Board meeting.

Hank Vogler moved to adopt the evaluation form, deleting and setting aside Number 10.

Dan Hetrick seconded the motion. Motion passed.

3. Director's Report

Director Lesperance introduced Larry Ruvo from Southern Wine & Spirits, Senior Managing Director. The Director said the Board heard from people involved in viticulture in Nevada and their marketing problems. It was suggested to the Director that he call Larry Ruvo, a principal in Southern Wine and Spirits in Las Vegas. Mr. Ruvo knew and understood the problems and personally resolved the problem. He has been instrumental in putting Nevada's small viticulture operations on the map.

Mr. Ruvo told the Board that he had traveled to Fallon and visited Charlie Frey, Churchill Vineyards. Mr. Ruvo said he saw ranches that were closed, those that were up for sale and saw great farm land that was turning back to dust. He had spoken with Senator Reid the previous day and told the Senator that he was speaking to this group today and told Senator Reid of the importance of saving the ranches of Northern Nevada ~ saving the history of our state. Mr. Ruvo said that grapes require about 10% of the water that alfalfa does. He talked with Senator Reid at length about it and has talked to other legislators as well. Mr. Ruvo said the Department needs follow through on what he and the Director started.

Mr. Ruvo said with the right experts we can grow good grapes in Nevada. I don't know where that area is right now, but there are experts that I have introduced to Tony; Phillippe Melka and Michel Rolland. Two hundred of the top vineyards in the world use these two experts. I believe with Tony's direction and guidance, we can produce something really, really good in our state.

Mr. Ruvo said that we have a history; we have an amazing amount of loyalty and we have something that all the out-of-staters want, we have the venue, the casinos. He said I believe if we get to the hotels, restaurants, and the grocery stores and we say it's from Nevada and that it's a good product, they will promote that as opposed to an out-of-state brand.

A. Director's Report

As you all aware the fiscal picture for Nevada State government is not particularly good. Every time Nevada's projected income falls by 32 million dollars, which is a daily occurrence at this point in time, the Department budgets are cut across the board by an additional 1%. We have gone through thus far, 10 different rewrites of our budget in the last 3 months.

The Director brought the Board's attention to the table (Tab 3A in packet) wherein the budgets for the years 2008 thru 2011 are listed. The total budget for 2008 was 17.2 million and in 2011, the budget will be 13.6 million. As our budget comes down by law, our employment package which includes salaries, all things associated with it, goes up. I went over this in detail at the last budget meeting; the average salary increases are a little over 6% a year from the day you are employed to the day you retire. You can see personnel in that period of time has gone down from 8 million to 7.6 million. The reason is because almost all senior members of the staff of the Department has resigned, retired or left. I have been able to replace all those positions with people from within the Department at a much lower salary.

However, you will notice the percentage of the total has gone from 47% to 56%. That means a lot less money will be available for operation and much of our operation is travel. We are a regulatory agency primarily, which means we have vehicles traveling all over the state at all times and the cost of that travel has not come down. The money we have left over for operations in terms of day-to-day supplies and equipment is almost down to zero. At this point in time, in 2011, I will have absolutely zero money projected for operations.

My commitment to the staff is that I will not lay off anyone unless I absolutely have no choice. That commitment is what has kept the staff functioning throughout this period of time at a very high level of operation. We're doing more regulatory activities today in the State of Nevada than this agency has ever done

in its history and we are doing it very correctly. Our activities are being done very well and the Director said he is very, very proud of the staff and especially very proud of those people that I have asked to step up and take these administrative positions. They have done so without pay increases.

In addition to our regulatory activities, we have tried do some other things. In addition to the viticulture tour and seminar, we recently had a Water Summit. I think these are very successful things that the Department can continue to do with very little cost. We work very effectively with many other agencies within the State, the University Cooperative Extension, and other organizations of that nature and we are able to pool our resources.

The Director presented a slide show for the Board and audience along with the following narrative:

Viticulture Tour

The real key to Nevada production is how do you produce \$100.00 bottle of wine and that is what Larry Ruvo was talking about. We got a speciality crop grant that we used to finance this tour. We worked with the Extension Service and Western Nevada Community College in Fallon and with excellent cooperation from both organizations we got the tour started.

I talked with Phillippe Melka and wanted to get him here, but he is a very busy person. Phillippe recommended John Caldwell. John travels the world and is just as familiar with the situations in viticulture in France, Italy, Germany or Australia as he is in California. John agreed to come to Nevada and meet with us.

We toured Charlie Frey's Churchill Vineyards in Fallon and spent a great deal of time with Charlie and Colby, his son. We greatly appreciated their input. They gave John a background view of Nevada.

On Wednesday, the group went to a number of vineyards in the Carson Valley. We visited Buffalo Creek Ranch, on the west side of Carson Valley. John commented that Buffalo Creek Ranch looked like Napa Valley. The ranch is located on the west side of Carson Valley and along the foothills of the Sierras. Some of the vineyards we visited were in alkali, in places that you would question whether or not you could successfully grow grapes. The day finished with a tour of Tahoe Ridge Winery. They have done an excellent job and are producing some excellent varietals.

Approximately 30-40 people were on the tour and the enthusiasm from these people was very obvious. Most of them are actually growing grapes at this time, on a 2 to 3 acre vineyard. Thursday the tour went to Pershing County and we

looked at a couple of failures. Tom Moura has tried to plant grapes and has not had any success. The ranch land in the vicinity of Lovelock is probably marginal.

John asked to see any canyons or sides of mountains. We took John to the west side of the Humboldt Range. They looked at property in the vicinity of Rye Patch. John did some soil work, walked around, looked at the slopes and looked at some environmental data. John Caldwell's comment was, "this is the best grape growing property I have ever seen in my entire life". The Director said there is a tremendous potential in that area and it isn't just the common ordinary variety that is going to be produced there; it is going to be that \$100.00 a bottle of wine.

John gave a seminar with over 75 people from all over Nevada in attendance. It was an all-day session. There will be follow-up from this seminar with more on-site viticulture work, emphasis on pruning, proper pruning techniques, etc.

The Director said the Board of Agriculture's position should be to continue to foster this kind of development. He said he is convinced that Nevada can have a viticulture industry in this state and it can be first class.

Water Summit

The Water Summit was in held in conjunction with the Nevada Cattlemen's meeting in Winnemucca on Friday, November 14th. The Water Summit was well publicized. The Director said we put together a program that had a lot of public appeal. He was hopeful that most of the cattlemen would attend because this is a situation that affects the livestock industry and farming industry in northern and eastern Nevada. We attempted to bring in people that understood water, stakeholders throughout and we wanted people to become aware of the long term ramifications of what might happen to rural Nevada if a lot of water is transferred out of the area.

We put together a great group of speakers. We had Jim Young who recently retired from the University, Agriculture Research Service. Allen Biaggi, Director of the Department of Conservation and Natural Resources was there and gave an excellent talk on water rights and how they are handled. Two people from the Southern Nevada Water Authority, John Ensminger and James Marshall also attended. Mariah Evans from University of Nevada talked about water economics and Steve Lewis, Extension Agent in Minden-Gardnerville was the moderator.

The Director gave a short opening talk about Nevada history. Dr. Young gave an outstanding presentation. The Director said Dr. Young is one of the greatest environmentalists ever; he has an excellent knowledge of all the various valleys and mountain ranges and gave a very clear decisive presentation of what

happens when you change the environment on a salt desert shrub ecosystem which exists on our typical valley bottoms. And those changes are not good.

Allen Biaggi gave an excellent talk on water log policy. The Director said he probably suspected there were people in the audience that might not agree with him, but I think his discussion was very well received.

The people from the Southern Nevada Water Authority did an excellent job. They presented their position straight forward. There were some tough questions and they stepped up to the plate and answered those questions.

Mariah Evans from the University has a real handle on water economics. I would like her to talk to the Board at an upcoming Board meeting because she has a real understanding of the value of the water and I think it's important we get to some of these values.

The Director said we had 130 people from throughout Nevada and the questions came from the audience for a long time. These are the kinds of things that the Department needs to be involved in because they are things we can do without spending a great deal of money. It was a very, very well received. I think it is the wisest way we can spend our few dollars at this point in time.

Director's Appointment

My appointment to the Department and as your Executive Secretary was somewhat controversial and has been somewhat controversial ever since. I would like to read into the record the last paragraph of my report which states:

Finally, I wish to briefly discuss my tenure in this position. Last March when being considered for the position, the Board had a lively discussion concerning this matter, and frankly had some concern over the exact length of my appointment. At the recent August, 2008 Board meeting, this item was again discussed in detail. It was asked at the time, and I agreed to inform the Board in writing six (6) months in advance of when I would want to leave this position. I will honor that request if the Board wishes that request to remain. It goes without question that the Director serves at the pleasure of the Board. I want to make that absolutely clear and I understand it and I respect that and that is the way it is. My original commitment was to stay at least through the upcoming legislative session, and likely no more than 18 months. Presently, I have been employed for slightly over nine (9) months. The economic future of Nevada's budgetary status at this time is not only questionable, but factually it is not good. It would be my suggestion that this would not be a good time to consider changing Departmental leadership. My commitment remains in place. I will notify the Board at least six (6) months prior to my wishing to leave. Currently, I do not feel comfortable in initiating that decision within the next six (6) months. However,

the final decision certainly rests with the Board of Agriculture, I understand and respect that.

3. B Limit on Public Comment

The Director suggests that the Board of Agriculture set a time limit on public comment for upcoming meetings. He further suggests time limits be adhered to no matter if only one individual or many wish to make public comment.

The Director continued saying he believes the purpose of public comment is to address some point of the public's concern about an issue that is pertinent to either agriculture, the Board of Agriculture or the Department. He said it not wise for public comment to be little more than an expression of a political or otherwise similar agenda driven position that may have little to do with any of the above, or in fact may be very contradictive and in some cases destructive.

This came about because an individual who has a very strong political agenda was allowed to speak for a great length of time at the last Board meeting and there was no way for me or the Department to respond because that person, as you are all aware has a legal law case against Departmental employees. Therefore, we could not respond, and this individual was allowed to talk for 20 minutes expressing his frustrations which are purely political and agenda driven. That individual is involved in an ongoing investigation concerning misuse of horses, particular the Virginia Range Estray Horse Program.

I would suggest when things like this happen, the Department or the Board must recognize (I am not saying the individual shouldn't be allowed to speak his mind), but there has to be a limits. He cannot be allowed to try to draw members of the Department out into some kind of debate that would have significant impact on any upcoming legality. I would urge the Board to carefully pay attention to that. You need to create a policy on public comment; common sense should prevail.

Katie Armstrong, Deputy Attorney General, said during public comment, it is made for the public to view their opinion. You can respond or you don't have to respond. But if you want to limit public comment, you must indicate that on the agenda prior to the meeting. Under the open meeting law, public comment must be relevant to the Board's authority. It does not have to relevant to the Board's agenda.

Hank Vogler questioned if on each action item are we supposed to ask for public comment? Katy Armstrong said under the open meeting law, we do not have to allow that to happen. It is the discretion of the Chair, but before we did indicate public comment after each action item. But you do not have to allow that.

3. C Nevada Board of Agriculture Water Policy Statement

Director Lesperance said there are no changes in the beginning part of the policy statement since the last meeting. There are changes on Page 2 as follows:

1. Monitor and report to the Board in a timely fashion any and all proposed reallocation of any Nevada water for any use other than for its historic application to agriculture production.
2. Develop suitable economic models to predict the economic and environmental effect of any proposed reallocation of agriculture water to the rural economy.
3. Prepare suitable position statements to be used at appropriate state water hearings, state legislative activities, federal bureaucratic actions, congressional actions or any other governmental action, proposed or otherwise, that could or would impact Nevada's agricultural waters.
4. Prepare an annual report for the Board summarizing the State of Nevada's agricultural waters.
5. Take appropriate steps to insure all agriculture producers that may potentially be impacted by any water transfers, that statistically defensible ground water monitoring be established. Such monitoring procedures must also be established if deep water removal is proposed for such aquifers as the carbonaceous aquifer, or any similar aquifer.

The Board places this Water Policy as the highest possible priority. It directs the Department of Agriculture to create the position Agriculture Water Analyst, determine how the position is to be funded, then determine the appropriate legislative pathway to secure the position.

Dean Baker made the motion to accept the Water Policy as it is with possible additions and modifications to come at future meetings.

Ramona Morrison seconded the motion. Motion carried.

Allen Biaggi, Director of the Department of Conservation and Natural Resources. spoke to the Board and said he was here today because the State Engineer's Office is one of the divisions within his Department. He said Tony gave me a copy of your Water Policy and my Department recognizes and certainly agrees that Agriculture is very important in Nevada. It is important economically, important culturally and important historically.

Director Biaggi said water is our most important resource and is one that highly coveted and one that is going to get more and more important. Nevada law mandates that existing rights are protected with any transfer or new allocations of water. That is one of the things the State Engineer, under Nevada water law must considered first and foremost. Water rights in Nevada are acting like property rights, they can be bought, they can be sold, and leased. There is where the rub comes in. So I have taken a look very closely at the policy, I think it's a great policy. I have no issues with it. I greatly appreciate Item 2 which deals with economic predictor models of the ramifications of reallocation of water. When the State Engineer has a hearing, his primary goal is get all the information that he can, in order to make a scientifically sound and appropriate decision within the confines of the law. The more information he can get, the better. I think an economic predictor model would weigh very heavily into that and would be appreciated.

Item 3 in the Water Policy calls for position statements for use in consideration in hearings. Once again, I think it's important the State Engineer hears your voices and understands implications to agriculture. I would highly encourage you to provide those as well.

Item 5 in the Water Policy is something that Dean (Baker) and I are dealing with on a monthly basis in our negotiations – he is on the Utah side of the border and I'm on the Nevada side. We are talking about the water in Snake Valley and monitoring a huge issue with regards to those negotiations.

So we look forward to establishing a positive working relationship with this Board and receiving your input before hearings of the State Engineer.

Ramona Morrison said when she was in Winnemucca she asked the Southern Nevada Water Authority what their budget was for water acquisition and they were unable to come up with a number. She asked Director Biaggi, "do you have any knowledge of their budget for future water acquisition?"

Allen Biaggi asked for clarification – you're asking about their budget for water acquisitions for the pipeline? Ramona said we have seen Southern Nevada Water Authority representatives appear in meetings around the State, as far north as Humboldt in the Walker River area, etc. We are very concerned that they are shopping for more water. We need to know how much more they are looking for in the State of Nevada. Their method of operation is to eliminate protesting water rights owners by buying them out.

Allen Biaggi said the actions before the State Engineer right now is Spring Valley, Cave, Delamar Dry as well as Snake for unappropriated water rights which were applied for back in the 1980's. So that is a different issue than the acquisitions that matches the water rights. Those are not before the State Engineer because there has not been an action for transfer of those rights. Allen said he doesn't

know what the budgets are for the Southern Nevada Water Authority or what their long-term plans are for acquisition of other water rights or other ranches in either White Pine or Lincoln County.

The Director brought the Board's attention to the last paragraph of the Water Policy regarding the creation of an Agriculture Water Analyst position. He advised the Board that this would not happen in this next biennium. You have my commitment, however, whether I am still the Director of this Department or back at my ranch in Paradise is protection of Nevada's water for agriculture.

Ramona Morrison asked Allen Biaggi is there any guarantee coming from the Water Engineer's office that they will be no tapping into the carbonaceous aquifer? Director Biaggi responded saying the carbonaceous aquifer is not a fine dividing line, it is not a bright line delineation between the two. There are water projects that do tap into the carbonaceous aquifer in Eastern Nevada. The State Engineer has to consider that when he is making his decisions. With regards to monitoring, yes there are some deep wells that are going to be going in and monitoring shallow aquifers and deeper aquifers as they may exist and monitor those water reductions or increases over time. And as you know in the Spring Valley decision and similarly in other decisions, the State Engineer may require five years of baseline data before any pumping can commence. So if he wants to be sure that he is getting that baseline data so he knows where the water levels are before pumping can begin and understands where the ramifications are.

Motion passed.

3. D Evaluation of NRS 567.010 – 567.170 – Predatory Animal & Rodent Committee and Committee to Control Predatory Animals

The Director said that upon his arrival to the Department, he reviewed several NRS that pertain to the Department including the one in question.

When the he read the provision of NRS 567.030 wherein it is recited that "*the committee consists of five members. Two members must be designated by the State Board of Agriculture from among its members, one of which must be the appointee for range or semirange sheep production.*"

The Director was questioning who the two members were (as referred to in the NRS 567.030). He inquired of others and all responded that they did not know. The Director said that either Hank Vogler or Mark Jensen might lend some insight in to this matter. The Director said he believed this committee did exist in a period of time and has gone by the wayside with the work that Mark Jensen has done.

Mark Jensen, Administrator for the Division of Resource Protection, said he has been here almost 5 years and this committee has not functioned since he has been here. Mark said he continues as the administrator for Division of Resource Protection, also as State Director of the Wildlife Services Program. Mark said he attends all Board meetings and he reports to the Board. He said he thinks that he is meeting the obligations for reporting, etc. Mark said this committee has not functioned since Mark started in his position.

Hank Vogler said a few years Governor Quinn thought it would be in the best interest of the State to eliminate some of the small commissions and boards. We had a Nevada Sheep Commission with three members. The caveat was that if we eliminated the Commission, we would get a seat on the Board of Agriculture and that is how Deloyd Satterthwaite became a member of this Board.

Mark said one of the things that is very important about NRS 567.080 is that it gives the State, or the Committee, or this Board the authority to enter into agreements with USDA. Mark said half of my workforce in the field is State employees. It is critical that the State has the authority to enter into agreements with the Department of Agriculture.

The Director said there are a number of things that need to be protected. He and Mark will rewrite the recommendation and will come back to the Board with a version for the Board's approval and then prepare a BDR (bill draft request).

3. E Short Term Objectives and Long Term Goals

The Director said he was asked at a recent Board meeting to update objective and goals. I would suggest at this controversial period of time where we are not sure where we are at from one day to the next, a change in these might be questionable. I can go through them and tell you what we have done with regards to them.

Objective 1:

A. Ensure all Department staff is trained in basic Incident Command System (ICS) level 100.

Response: We are at 90%.

B. Ensure key staff is trained in higher level ICS and State Emergency Operation (EOC) procedures.

Response: We are at 100%.

C. Update the Department Emergency Operation Plan for each division on an annual basis, and post the plan to the Department's website.

Response: That is under review at this time.

Objective 2:

Promote Nevada's agricultural interests in the utilization of land and water resources.

Response: We have taken positive steps in that direction by the two things I discovered; the Viticulture Tour and the Water Summit.

Objective 3:

Conduct a comprehensive review of current Department penalty and violation requirements and update as necessary to build consistency across the agency and to reduce reoccurring infractions of agency statutes and regulations.

Response: We have in place a document that employees have reviewed and signed called "Penalties and Prohibitions". That is what we use for any kind of disciplinary problems whatsoever and as much as I hate rules and regulations, I must tell you that this is a very, very good document. It has allowed me to accomplish certain administrative things that would have been very hard to accomplish otherwise.

Objective 4:

Take a leadership role in serving as the liaison between the Nevada Department of Wildlife and federal agencies to ensure the best available science is used in decisions relating to wildlife management and conservation.

Response: This will be discussed later on when ADL (Animal Disease Lab) makes their presentations. As we speak, we have staff attending two meetings with the Wildlife Department, today and tomorrow, in Reno. I meet with the Wildlife Department myself all the time. I have lunch at least once a month with the Director of the Toiyabe-Humboldt National Forest Service. We have conducted meetings with the BLM hierarchy and I am trying to arrange luncheon dates with Director of the BLM for the State of Nevada.

Objective: 6

Continue to refine the scope and goals for the agricultural enforcement program.

Response: We met with industry. We deemphasized enforcement as per the Board's request and the industry's request. I think we are in a much more positive position as far as enforcement goes today than we were a couple years ago.

Objective 7

Coordinate and implement state training for Board members on relevant topics such as prevention of sexual harassment and discrimination (required training), commission and Board meetings, and Nevada's open meeting laws. To the extent possible, incorporate this training into regularly scheduled Board meetings.

Response: This is ongoing training. Ethics training will be at this Board meeting and sexual harassment training at the March, 2009 meeting.

Objective 8

Develop funding sources and hire the following high priority Department positions: Information Technology Specialist and Public Information officer; research the possibility of using college students for web page projects and design.

Response: We use college students every place we possibly can. And I can assure you, even though those are high priority positions, we are not going to get any new positions in the upcoming biennium.

Objective 9

Initiate industry and public comment for updating and revising the Department's strategic plan.

Response: We have constant meetings with the industry and public and that includes the Estray Horse Program. I am not going to get into what I am doing in that regard. Some of that will be covered by Dr. LaRussa later. I will assure you there is not a day in my life that goes by that I do not deal with the Estray Horse Program in one form or another. We have many things going on, some of which I simply will not talk about at this time except to tell you, I think we are making positive progress. I have been able to open the lines of communications with two of the groups and two of the ladies involved in those groups and we meet on a regular basis. It is controversial; we do not meet in the Department, we meet elsewhere or we discuss things over the telephone. We are making progress. It is a very controversial issue and I will tell you my involvement with the Virginia Range Horse Program has been probably one of those most educational things I have ever gone through.

Objective 10

Continue to evaluate procedures to streamline the agency cooperative agreement process for the purpose of expediting the acquisition and expenditure of Federal grant funding.

Response: If you will go back to the March, 2008 meeting, one of things I mentioned when you were considering me for this position, I told you point blank that you're federal funding position is in dire jeopardy if you ever had an audit. You are in a total indefensible position in regards to overhead and how it's calculated. We are still in that position

I have one person in accounting, Wes Bills, developing a complete procedure, including how we are going to ascertain overhead. And that is probably one of my highest priorities at this point in time.

Objective 11

Establish a Department credit card program that streamlines procurement by employees while maintaining sound administrative procedures.

Response: Director Lesperance said he has had some trouble with this. I am not very supportive of it. I'm listening to discussions on why we need to have credit cards and I always raise the question "what's wrong with your own credit card? Why do you want a Departmental credit card?" The Department has not convinced me to proceed post haste with development of credit cards. We do have some and there have been some instances of misuse that have been dealt with, but I am not of a mind to enhance that program.

Objective 12

Continue to work to improve agency communications within the Department and between the Department, the Board, and agricultural related industries.

Response: I meet with the Farm Bureau constantly. We've met with them on policy last week in Yerington, we meet with the Cattlemen. I have invited all the Board members to attend our bi-weekly administrative meetings at 9:00 am on Monday morning as a way to improve communications with this Board. I think it is very informative for Board members to attend these administrative meetings because everything is on the table. I expect every person that's in any kind administrative position to attend these meetings. I expect them to tell me what their problems are, what their accomplishments are and how we can do better.

Objective 13

Division administrators will perform and complete an annual self program analysis and fiscal review, on a fiscal year basis, and submit a report to the Director and the Board of Agriculture.

Response: I would to read a letter I just received that covers the Legislative Counsel Bureau ongoing audits. We've had two very less than complimentary audits that occurred before I came along. I've been dealing with the Legislative Counsel Bureau on an ongoing basis and I will read the part of the letter as follows:

"The audit committee identified numerous weaknesses related to financial administrative practices (this occurred several years ago). We have recommendations not fully implemented related to the collection program. We are down to four items that are not fully implemented and we believe we can implement those in 2009.

"The new director indicated he is committed to making progress on the outstanding recommendations. Three of the four partially implemented recommendations will be fully implemented and policies and procedures are established.

"According to the agency, under the direction of the new director, the Department of Agriculture has established a Spending and Government Efficiency (SAGE) committee (as a subsidiary of the statewide SAGE committee) comprised of mid-level Departmental employees from all divisions. (Director commented we are the only Department in the State that has done this). The top priority of the agency committee is to have updated policies and procedures prepared by all divisions and to have these available to all the employees in the agency. The agency has begun writing and rewriting procedures in the last few months and completed 45 draft procedures that have been prepared by fiscal services and personnel. It is hoped that all the drafts are to be completed by January 1, 2009, so that a comprehensive review can be done by the end of June, 2009.

"Additional Information: The Department of Agriculture has experienced significant turnover in key positions since the audit report was issued in February 2006. This turnover includes two Directors, the Deputy Director, and the Administrative Services Officer. The current Director was appointed in late February 2008, after the former Director resigned after 7 months of service.

"We have completed our follow-up activities for the Department of Agriculture audit. Because substantial progress has been made in developing policies and procedures, we have no questions for the Department".

Signed: Paul V. Townsend, CPA, Legislative Auditor

The Director said this is the cleanest bill of health that you can get from the Legislative Counsel Bureau. I take my hat off to the employees of the Department because of this accomplishment. The Director said the Board should understand that very clearly – it is not me – it is your employees.

Long-Term Goals:

Goal 1: Regulate in a fair and equitable manner to provide protection for Nevada's agricultural industry and the general public.

Objectives:

A. Collect and analyze data to objectively evaluate agency programs.

Response: I can assure you I am doing that. That is why we are having meetings every two weeks. I hold people very responsible. I want to see exactly what they are doing, how they are doing it, how they are spending their money, etc.

B. Hold public workshops to expand access and gather input from industry and the general public.

Response: We have done that. This is one reason we change from a heavy-handed enforcement agency to a kinder and gentler agency.

C. Develop regulatory policies directed toward achieving voluntary compliance.

Response: We are working on that all the time.

Goal 2: Support, assist, and encourage the agricultural industries, through the principles of private enterprise and individual initiative, in the development of the State's agricultural resources.

Objectives:

A. Assist in the promotion and marketing of products nationally and internationally through testing, inspection, analysis, and certification.

B. Operate licensing programs to maintain industry standards and public health.

Response: Because of the growing lettuce industry in Lyon County, in particular in Mason Valley, we now have a full time inspector there issuing phytosanitary certifications on an ongoing basis. This product is shipped all over the world, and we have to inspect it there. The business is growing and we're helping them

grow in every way possible. I am making the resources available to keep an inspector there on an almost full time basis.

D. Offer educational opportunities to the regulated industries.

Response: Obviously working with viticulture, Farmer's Market, Farm City Days. I participate in as many of those kinds of activities as I can. We provide the mechanism to get goats to the Ag in the Classrooms in Northern Nevada. We participate with USDA wherever possible. I will back up and tell you a little bit about my recent participation with federal agencies. As you recall, we talked about having Nevada declared a drought area. In the initial recommendation that was sent in, Nye and White Pine County were to be declared drought areas, which makes all the contiguous counties also drought areas. An indication came back from Farm Services Agency that they had developed data to make all of Nevada a drought area and I reported that at the Cattlemen's meeting. I reported that a forthcoming proclamation from USDA and the Governor would indicate all of Nevada is a drought area.

Two days later I got the information from Farm Services proudly saying that White Pine and Nye Counties were drought areas and not the rest of the State. I cannot apologize for the actions the Farm Services Agency takes or USDA. I have been given contradictory information probably three or four times on this drought assessment. I've asked Ed Foster to have a clear cut definition as of when the ultimate goal on drought is for the State of Nevada when I get back to the office. Is it just those two counties or is it the whole State?

Goal 4:

Develop or establish administrative policies and procedures that distinguish between benefits derived by industry and the general public; ensure compliance with applicable statutes, regulations, and state policies; and provide for an ongoing evaluation and adjustment of programs and services in the most cost effective manner.

Objectives:

A. Review programs bi-annually to compare funding policies with actual funds received and program expenses as well as administrative responsibilities and duties.

Response: I threw our existing budget away after I reviewed it within two weeks of taking this job. I told everybody, completely redo the budget, this is not acceptable. I will not present a budget to the State legislature that I cannot defend much less explain. You will have a budget that we can explain. I have not been able to accomplish all those goals because I did make one mistake. I

was well aware to accomplish certain things that I felt had to be done, I had to have a BDR to the legislature for their approval to vote on. I was unaware of that and so I did not get everything done that I felt needed to be done because of the fact I missed the boat on that BDR. I

Goal 5: Promote a workplace environment that encourages and rewards individuals who strive for excellence and use professional and personal initiative.

Objectives:

A. Maintain an employee recognition program.

B. Provide employees opportunities to participate in agency goal setting and team building through a division approach.

Response: I am not keen on employee recognition programs such as “Employee of the Month” or Employee of the Year”. I look at our employees as being all “Employees of the Year”. I work with them through e-mails and personal visits. I wander around the building on an ongoing basis. I try to make it a point of visiting every office, every day when I am there. I want to know what they are doing. I don’t care whether it’s a secretary or the top administrator. I expect answers and I expect to know what they are doing and I congratulate them on the things they have accomplished. I reward them by putting their names in e-mails and telling people what they are doing, etc. Most of that information is passed along to the Board. I like to congratulate people on an ongoing individual basis. That is my work style; that is how I manage. And that is the way I am going to continue to manage until someone can show me a better way.

The Director said that at tomorrow’s meeting in the morning, everyone from the Las Vegas office will be here, introduce themselves, and tell you who they are, where they came from and what they are doing. The Board needs to know these people and those people need to know they have a Board.

Chairman Perzazzo asked the Director are there any objectives or goals that need to be emphasized more or eliminated?

Jim Johnson commented that based on what the Director said we need to delete short-term objective number 11. Jim said the Director feels that the Department credit card program is not good one and based on his explanation of the situation, Jim said maybe we need to eliminate it. It was discussed that although an objective or goal has been presently completed, it is ongoing and needs to stay as an objective or goal. They need to stay as reminders although they may be 100% complete this year.

Ramona made a motion to pass the short-term objectives as they are with one exception, to eliminate Objective 11.

Jim Johnson seconded the motion. Motion passed.

Boyd Spratling made a motion to amend the long term goals. Under Goal 2, let us add G to that and in support of what Mr. Romero talked about, add the words “promote educational outreach to the general public regarding the positive aspects of Nevada agriculture.

Dan Hetrick seconded the motion. Motion passed.

4. Division of Administration

The Director displayed the Department’s budget (two very large binders) and said that is the Department’s budget for the coming 2010-2011 biennium. Many, many man hours have gone into the preparation of the budget. He said that budget that you see in front of you in those two books was redone 10 times. I have to respond almost weekly to the changing budget situation of the State of Nevada.

This is our general fund budget. Grants are pretty set, we know where we are with them. We think we generally know where we are with our fees income although we know it’s going down; we don’t know to what extent. And we can’t always predict in what areas it’s going down.

I want to talk about the general fund because that is the money we get from the State of Nevada. Historically, our overall budget has fallen into this category. Fifty percent of our funds come from fees, licensing fees, brand inspections, weights and measures; all from the various activities this Department does. Twenty-five percent of our fees come from grants. The majority of that has been for animal disease and some plant areas.

Twenty-five percent of our fees come from general funds from the State of Nevada. I have listed four major areas that are basically general funded; Plant Industry, Animal Industry, Administration, Wildlife Services and Junior Livestock Board. You can see the amount of money that was budgeted for those four areas, year by year. Fiscal ’08 for example, we had 1.5 million in Plant Industry, 900,000 in Animal Industry, 500,000 in Administration, 750,000 Wildlife Services. Fiscal ’07 that jumped up to 4.3 million. There were a lot of one-shots. The Department was granted a lot of money by the Legislature and Governor Guinn. That money was used to buy pick-ups; they were one-shot deals.

Fiscal ’08 which we we’ve already concluded, we had 3.8 million which is in the vicinity of what we had Fiscal ’06. Fiscal ’09, at this point in time today, we think we know where we are at for the remainder of Fiscal ’09. The revenue figures for this morning is what was accomplished yesterday, and 70 million dollars will be taken out of Departmental budgets and that represents about 2% cut to us and I

think we can live with that without eliminating any positions if those figures remain for Fiscal '09.

The Director distributed a General Fund Recap 2006 – 2011 to the Board to review.

He directed the Board's attention to Fiscal Net '09, 3.3 million as compared to Fiscal Net '07 of 4.3 million. In a 2-year period of time, we have given up 1 million dollars from the general fund. And our expenses, salaries and benefits have risen by 6% a year.

If you look at Fiscal Years '10 & '11, the second column – we've reduced to 824,000 and that is a potential 20% cut that we are looking at, still to be implemented, which brings us down to the 2,703, 821 million that you saw in Fiscal Year '10. The additional 20% cut will drop us down another 20%. Fiscal Year '11 we are sitting at 2.6 million compared to Fiscal Year '07 at 4.3 million. We are losing 1.5 million dollars of general funds.

The Department survived because the Deputy Director took a job with Public Safety; a highly paid Plant Industry Administrator retired; and a highly paid Brands Administrator retired. Those positions were filled with people from within at a much lower salary rate. As I moved people like Dawn Rafferty from Noxious Weeds to Administrator of Plant Industry, she took on two or three times the responsibility she previously had at no change in salary.

I had to eliminate her previous position. Any position that I leave unfilled, automatically disappears and I do not get the position back until the Board authorizes me to petition the Legislature at an upcoming legislative session to recreate that position.

I am worrying about surviving. The accounting division is usually staffed by 6 people and we are at 5. I am going to have an administrative process that eliminates another position, so I will down to 4 people doing accounting for a total budget of 14 - 15 million dollars. We have 27 different accounts we have to keep separately as far as income. It is a nightmare – you cannot do it with 4 people.

I have asked the administrators to give me information to go to the legislature, because if the two ten percent cuts come through for Fiscal Year '10 & Fiscal Year '11, I will have no choice but to terminate some positions. I have identified about 12 or 13 positions that I will terminate. I would ask that you keep this information confidential as the individuals involved have not been told. All this is theoretical if in fact these cuts occur. I have asked the administrators to state what the ramifications are. The question is how do I move money around to avoid these conflicts and my answer is not really good. This is a process I go through on a daily basis. And I would ask the Board that you express your support and for to me continue in this position. You have basically no choice but

to give me the flexibility to make this work however I can make it work. At some point in time, I will have to go to the legislature and ask point blank which legislatively mandated regulatory requirement for which the Department is responsible do you wish to the Department to give up because I cannot continue to do it. And I am prepared to do that at the coming legislative session. I don't have any choice. We are basically 100% regulatory and if I cannot do it financially, then they will have to tell me which ones to give up, because they are all mandated by legislature.

The Director told the Board members that they have got to understand the budget of the Department of Agriculture, what it represents, what it requires. All of these things close in on us. It is going to affect everything we do whether it is general funds or fees or whatever.

5. Resource Protection Division

A. Program Update

Mark Jensen introduced himself to the Board and explained to the new members of the Board, that the Division of Resource Protection is a unique division. He said we have a state workforce as well as a federal workforce. Mark said he is a federal employee as well as a State employee, therefore attends all the Department Management Team meetings.

Our mission is help people that are having problems with wildlife. So we get involved in a lot of things, such as protecting public safety, protecting natural resources. Our main function is to assist livestock producers when they are having problems with predators like coyotes and mountain lions killing their livestock. We work with the woolgrowers and the cattlemen to help them with predation problems.

Mark told the Board that he attends several different meetings including the Woolgrowers meetings and Grazing Board meetings. The Grazing Boards are an important part of the cooperation with Nevada Wildlife Services program. They use part of their grazing fees to pay into the programs that help run our aircraft in Nevada.

Mark attends the Nevada Department of Wildlife Commission meetings. Approximately 13% of our budget comes from NDOW and we have particular projects that we do for NDOW, (contractor) and those projects are to protect natural resources like mule deer, Bighorn sheep.

We've been short a pilot in Winnemucca for 9-10months. We were able to hire another pilot and he is in training in Cedar City, Utah right now. Our aircraft are vitally important for the work we do.

Avian Influenza testing is in full swing this year. We get federal money through USDA to cooperate with NDOW and the Animal Disease Lab. We sample about 1,500 birds. These are hunter harvested birds that are sampled for Avian Influenza.

As the cold weather begins, we are receiving more and more calls from dairies and some feedlots concerning bird work. We do that every year when it gets cold. We have large infestations of Starlings that come into the dairies that can consume and contaminate a lot of the feed.

The Division of Resource Protection is 100% general funds. As we get cut, its jobs – that all there is. The Director has worked hard to try to minimize the damage to our division. If this cut does come into effect, we will lose jobs and there will be large geographical areas in Nevada where I won't have any people. We will not be able to provide the services.

B. Discuss letter from Katie Armstrong, Deputy Attorney General re: Southern Nevada Water Authority's tax status.

There was a question that came up about the Southern Nevada Water Authority and their tax status. We have received this opinion and it basically says if they pay the head tax, then they are entitled to the service. That is the way we have been doing it. They have requested our assistance and we are going to help them both on the ground and in the air as best we can.

6. Livestock Identification Division

A. Division Update

Administrator Collis said he has been very busy with livestock movement. Chris said he's afraid the cattle numbers are falling off rapidly.

Blaine Northrup is at Peace Office Standards Training (POST) at this time. He should be done at the end of the week. Tim Ryan, the Brand Supervisor in Las Vegas will be resigning at the end of this year.

B. Movement Permits/District Lines

In October, the Director, Dr. LaRussa and Chris and discussed the restricted movements of livestock that is on a "hold order" or "quarantine" for animal health reasons. Chris said livestock movement permits and animal health are not compatible. Movement permits allow people to move their livestock regardless whether we have a hold order on them or not. We have no control over this situation. A livestock permit is not a brand inspection. People write their own

movement permit and our only function is accountability on them. With the present system that is in place, accountability is almost impossible.

We talked about revoking the movement permits, however, the industry did not approve. We sell two different types of movements permits. The book of 25 permits sells for \$75.00 and a book of 10 permits sells for \$30.00. This covers the printing and postage costs including a return postage paid card. We are not getting compliance. From July '07 to July '08, we sold 56 25-permits-per-book and 32 of the 10-permits-per-book for a total of 88 books. From this we have received 540 return cards out of a possible 1720 or 32%. About one-third of the industry was complying with our request to send in return cards so we can monitor movements and have some kind of accountability. This especially important for Animal Industry to track where the livestock is going and who they are coming in contact with. Chris said their have had instances of forgery and the program is not working.

A committee was appointed by Director Lesperance to study and solve the problems that the livestock industry has with the current movement system. The committee report is included in the Board packet.

The committee wants to continue the use of movement permit books. Application is to be made to the Department of Agriculture on a yearly basis so at the end of the year, all books expire. One of the requirements to be eligible for a movement permit book is that you have a registered brand. Chris said he will have to send a mailing to everyone with a registered brand to notify them of the change.

The new forms were introduced by Dr. Phil LaRussa who designed the forms. When the permits are mailed to each producer, instructions will accompany each mailing, outlining the procedure and rules. There will probably be a \$20.00 fee which is less than the previous fee for the books which sold for \$75.00 and \$30.00.

7. Plant Industry

A. CIP Project Update

Dawn Rafferty, Administrator of Plant Industry Division said that when I took this position in July, I had 16 people under me who were in Budget 4540 – general funded. Five of those positions are gone and that was a significant budget savings for Plant Industry. However, it meant that we lost an agriculturalist position in Las Vegas, two agriculturalists positions in Reno, an agriculturalist position in Winnemucca and chemist in Reno. So we are down to bare bones in terms of our workforce. We have some incredibly dedicated people that are self-

sufficient, but they are just about over their head in work and trying to keep pace when we are down 25% of our force with our general funded people.

In addition to that, I have one administrative assistant for my division. This position is worked by two women who alternate days, part time. One of those people as of October went out on an indefinite medical leave, so I am down to one-half position. This woman does all the phytosanitary certifications paperwork for Northern Nevada. One of the producers in Yerington has doubled his export of onions in the past month or two and it has been challenging. There have been a lot of problems in trying to keep up with the certification requests that the producer is sending us. We are trying to work with the producers and find different ways to get these things done so there is no bump in the level of service that we are giving to our people.

Our seasonal money is general funded and is gradually going away. Those seasonal employees support the nursery program, the garlic inspections and onion inspections. We are going to have a bit of a struggle next summer trying to keep up with those.

In addition, our operating budgets are going down. We have come to a point in the road where we have employees that are on the books, but we don't have money to go out because we don't have gas money. We did purchase additional vehicles from Budget 4540 last year with one-shot money. We had to move some of those vehicles into some other grant funded programs in order to support the insurance on the vehicles.

We are now getting questions from budget why those vehicles need to be in grant programs if they're not using them. Well, it makes sense to us because those programs are interrelated in Plant Industry and they can afford the insurance on the trucks. Budget isn't sure about that. We are trying to work that out so we don't have to send any of those vehicles back.

Dawn provided a power point presentation on the new building. This new building for the Department was approved in the 2005 Legislative Session. The ground breaking was in May, 2008 and they have done a phenomenal job of putting that building up. When the Director gave me this job back in July, I didn't realize that what came with it was the job of being one of the liaisons between Public Works and the Department. It has been incredibly challenging. The building is about 38,000 square feet.

B. Environmental Compliance Branch

Chuck Moses told Board members that he oversees the activities under our environmental compliance branch.

Chuck gave an overview of the recent activities and it is in the Board packet. The first two pages are enforcement actions that the Department has taken under the environmental compliance branch and most of these are pesticide related.

Chuck said about 10 years ago, we developed a strategic plan and came up with different goals for the divisions that we managed. The first is to ensure that pesticides remain available as a valuable tool in the integrated approach to pest management. We are not trying to legislate all pesticides out of existence so people can't use them. We want to maintain the pesticides that are available for people to use.

Protect human health and environment from the adverse effects of pesticides. Promote professionalism in the industry. We have a lot of training programs for the industry. Staff is always out talking to people about rules and regulations and other issues related to pesticides. We want to reduce the number of violations and complaints that occur.

C. Request for adoption of regulations LCB File no. R148-08: NAC 555.690. \$25.00 fee for lost stolen or destroyed cards.

A regulation relating to pesticides; imposing a fee for the issuance of certain duplicate certificates to apply restricted-use pesticides; and providing other matters properly relating thereto.

D. Request for adoption of regulations LCB File No. R147-08: NAC 555.410. Suspension of monthly Restricted Use Pesticides (RUP) report submission for non-agricultural licensed applicants.

A regulation relating to pesticides; revising certain reporting requirements for a person who is licensed to apply pesticides in the aerial or agricultural ground field; and providing other matters properly relating thereto.

E. Request for adoption of regulations LCB File No. R146-08: NAC 555.670. Six month wait for person caught using an unauthorized testing aid for certification tests.

A regulation relating to applicators of pesticides; adopting provisions concerning the use of an unauthorized aid during an examination for the issuance or renewal of certain certificates to apply restricted-use pesticides; and providing other matters properly related thereto.

Jim Johnson made a motion to adopt the regulations as specified in LCB File Nos. R146-08, R147-08 and R148-08.

Ramona Morrison seconded the motion. Motion passed.

F. Request for re-adoption of regulations LCB File No. R168.08: NAC 555.130.

A regulation relating to nursery stock; revising the requirements for the labeling of nursery stock; and providing other matters properly relating thereto.

Note: The Legislative Counsel Bureau (LCB) made additional changes to this adopted regulation which do not change the intent, but do substantially change the wording and format. We are requesting re-adoption of the amended regulation by the Board.

G. Request for re-adoption of regulations LCB File NO. R156.08: NAC 555.125.

A regulation relating to dealers of nursery stock; imposing administrative fines for the failure of a licensee to maintain a business record for not less than 3 years after the record is generated; and providing other matters properly relating thereto.

Note: The Legislative Counsel Bureau (LCB) made additional changes to this adopted regulation which do no change the intent, but do substantially change the working and format. We are requesting re-adoption of the amended regulation by the Board.

Ramona Morrison made a motion to adopt the revised version of LCB File No. 168.08 and LCB File No. 156.08.

Jim Johnson seconded the motion. Motion passed.

Meeting adjourned at 3:27 pm.

1